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ECONOMIC SURVEY
OF
ASIA AND THE FAR EAST
1953

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DEPARTMENT OF ECONOMIC AFFAIRS

ECONOMIC SURVEY
OF
ASIA AND THE FAR EAST
1953

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LETTER OF TRANSMITTAL

Bangkok, Thailand
15 January 1954

In November 1947 during its second session the Economic Commission for Asia and the Far East adopted a olution E/CN.11/63 which recommended that the Secretariat publish a comprehensive annual survey of economic ditions and problems of the countries within the scope of ECAFE.

In accordance with the above resolution I have the honour of transmitting to you the seventh *Economic vey* prepared by the Research and Planning Division of the Secretariat.

This *Survey*, following the recommendation made by the Commission at its 8th session (E/2171—E/CN.11/342, a 115), gives for the first time an analysis of recent economic developments in individual countries of the region, addition to a brief regional treatment of these developments. The analysis covers countries within the geographical pe of the Commission, except mainland China on which an article was published in the November 1953 issue of *Economic Bulletin for Asia and the Far East.* The latter provides a review of the economic developments in inland China since the establishment of the Central People's Government of the People's Republic of China in ing in October 1949. Since some of the usual sources of information, such as direct consultation with governments l field trips, were not available to the Secretariat, it was necessary in preparing the *Bulletin* article to rely exclu- ely on official and semi-official publications.

In its resolution on the "Economic situation in Asia" at the ninth session (E/CN.11/356), the Commission uested the Executive Secretary to follow closely the studies arising out of General Assembly resolutions 622(VII) "Financing of economic development of under-developed countries" and 623(VII) on "Financing of economic elopment through the establishment of fair and equitable international prices for primary commodities and through execution of national programmes of integrated economic development," and to incorporate in future issues of the *vey* and *Bulletin*, as well as in relative parts of the Secretariat's work programmes, results of enquiries relating these problems.

Accordingly an attempt has been made to focus attention on such problems in part I of the *Survey*, which sists of the four chapters on the food position, the export decline, public finance and the process of adjustment, l problems and policies of development.

I have the honour to be, Sir,
Your obedient servant,
(*Signed*) P. S. LOKANATHAN
Executive Secretary
Economic Commission for Asia and the Far East

e Honourable Dag Hammarskjold
retary-General
ited Nations, New York

GENERAL EXPLANATORY NOTES

PRE-WAR

The use of "pre-war" refers to the period before the second world war and when reference is made to the period before the outbreak of the Korean war, the word "pre-Korean war" is used. Unless otherwise indicated, the pre-war period relates to 1934-38 for agricultural production and 1938 for all other statistics. Other years before the second world war have been specifically mentioned.

FISCAL YEAR

Fiscal years in force in ECAFE countries: Burma and Ceylon: year beginning 1 October; Hong Kong, India, Japan, Korea, Nepal and Pakistan: year beginning 1 April; Philippines: year beginning 1 July; British Borneo (Brunei, North Borneo, Sarawak), Cambodia, China, Indonesia, Lagos, Malaya and Singapore, Thailand and Viet-Nam: calendar year.

SPECIAL TABLES

In order to avoid duplication, statistical tables on public finance, balance of payments, and food and agriculture are generally not reproduced in the text of the 1953 Survey, since they are published in the section on "Asian Economic Statistics" at the end of this volume.

CHARTS

For detailed statistics relating to charts, please refer to relevant tables in section on "Asian Economic Statistics."

UNITS AND SYMBOLS EMPLOYED

Unless otherwise stated "tons" relate to metric tons, and "dollars" relate to United States dollars.

The following symbols have been used throughout:

*=average of six to eleven months.
¶=average of end-of-quarter figures.
‡=12 months beginning April of the year stated.
†=12 months ending September of the year stated.
ø=12 months ending June of the year stated.
I, II, III, and IV for quarters of years.

§ =end of period.
Mn=million.
.. =not available
— =nil or negligible.
Figures in italics are provisional

The following symbols are used to represent the abbreviations of national currencies in Asia and the Far East:

H. =Hwan (Republic of Korea, one Hwan is equivalent to 100 Won)
HK$=Hong Kong dollar
K. =Kyat (Burma)
M$ =Malayan dollar (Federation of Malaya, Singapore, North Borneo, Brunei and Sarawak)
NT$=New Taiwan yuan or dollar
P. =Peso (the Philippines)
Pr. =Piastre (Cambodia, Laos and Viet-Nam)
Rp. =Rupiah (Indonesia)
Rs. =Rupees (Ceylon, India and Pakistan)
Y. =Yen (Japan)

The term Malaya includes the Federation of Malaya and Singapore.

ECONOMIC SURVEY

OF

ASIA AND THE FAR EAST 1953

INTRODUCTION

PRODUCTION

Moderate changes and readjustments have generally
·n characteristic of the year 1953, although the increase
food production in the region[1] promises to be an
oortant development. A buyers' market had appeared
most raw materials by the end of 1951, for industrial
iipment during 1952, and now it appears that the
g-persistent sellers' market for food finally broke in
second half of 1953, even though the increase in
oplies was quite insufficient to restore the pre-war
el of per capita consumption. Some of the improve-
nt in supply was due to government efforts to increase
d production. In several countries of the region,
progress of community schemes in the villages, the
elopment of local leadership and skills and the grow-
g attention paid to agricultural extension services are
rhaps the most significant and hopeful trends in the
rrent year. More immediately important, however,
weather, which still determines the prosperity of the
ral communities in the region, was generally favour-
le, and for many countries eased the burden laid on
balance of payments by falling export prices. The
ospects for the crop being harvested at the end of
53 are generally favourable, except in Japan, and a
rther improvement in food supply may be expected
1954. The analysis given in chapter 1 suggests
at surpluses might arise in some of the exporting coun-
es in default of price adjustments.

In contrast to the general improvement of food
oduction, raw materials and agricultural commodities
her than food have shown divergent but usually down-
ird trends in output. Both with respect to food and
w materials, effective demand is once more a con-
olling factor. Although price declines which started in
51 for most of the export products of the region have
en brought to a halt, or have even given way to small
creases (except for tin and rubber the prices of which
l sharply during the first half of 1953), production of
number of commodities has declined in response to
arket conditions, or land has been diverted to food
oduction. The output of rubber has fallen in Indonesia
d Malaya, some tea gardens have temporarily closed
wn in India, and acreage restrictions on both cotton
d jute have been imposed in Pakistan. The decline
groundnut production in India, on the other hand,
was entirely due to unfavourable weather. Output declines were however by no means universal; thus petroleum production has continued its upward trend, so has sugar production in the Philippines and in China (Taiwan only).

Important additions to industrial productive capacity were taking place in a number of countries of the region as delivery was made of orders placed in 1951 and 1952, notable examples being the expansion of the textile industry in Pakistan and of cement and power capacity in Malaya. Since the supply position for capital equipment has become easy, with sellers anxious to obtain orders in most branches, the main limitation to expansion of capacity has become a financial one although internal bottlenecks connected with problems of organization, transport, and the supply of skilled personnel have not yet been fully overcome, notably in Burma and Indonesia.

The high rate of private investment in Japan, and the efforts of the government in India under the Five-Year Plan have resulted in considerable expansion of facilities in those two countries, the most important achievements in India being in the field of power and transportation. While capacity was generally increasing, industrial production in the region was better maintained than output for export, as it has generally been supported by a level of domestic demand still partly reflecting the high rates of incomes and export earnings of previous years while import restrictions due to foreign exchange stringency have in same cases diverted consumption to home-made products. The picture is most favourable in Japan, where the rapid rate of industrial expansion of the last few years has been maintained thanks to an expanding volume of exports (despite falling prices), to a high level of domestic consumption and to a substantial volume of investment. In Japan continued expansion would require additions to capacity. In India, by contrast, capacity has not generally been fully utilized, despite the high level of industrial production which reached a peak in the first quarter of the year. Deficiency of effective demand lies at the root of this situation—witness the cases of synthetic fertilizers and various branches of the engineering industry—though transport difficulties and other bottlenecks have not been completely eliminated and were contributory factors. Textile stocks tended to accumulate in the second half of the year, as domestic demand for cotton goods, which had so far taken up the slack in

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The term "ECAFE region" covers, according to the terms of reference of the Commission. Brunei, Burma, Cambodia, Ceylon, China, Hong Kong, India, Indonesia, Japan, Korea, Laos, Malaya (Federation of), Nepal, North Borneo, Pakistan, Philippines, Sarawak, Singapore, Thailand and Viet-Nam.

export demand, was flagging in turn; substantial curtailments of production and worker lay-offs were threatened at the end of the year. The announced stepping-up of expenditure under the Five-Year Plan may well bring about in 1954 a fuller utilization of existing capacity as well as substantial additions thereto.

In other countries of the region also, industrial progress has generally been maintained, although declining export incomes have in some cases, notably in Malaya and Indonesia, curtailed demand and output for certain products. Continuing industrial progress is reported from mainland China, heavily concentrated in state enterprises and the production of capital goods. Taking the region as a whole, the production of the basic industries, coal, power, iron ore, and cement, all show increases over the 1952 level, and the same applies to textiles. While the region's total is of course largely dominated by developments in China, India and Japan, the increases were widespread and appear to reflect a fairly general expansion of industrial production.

The year has been less favourable for the cottage industries, which appear to have encountered increasing difficulties in selling on their home markets in competition with imports or local products of larger establishments. There has been progress in certain handicrafts specializing in exports, such as certain types of hand weaving in Thailand; the adverse situation has nevertheless been general enough to be a matter of grave concern to governments, which have taken a variety of measures either to protect cottage industries from competition or to improve their technical equipment or marketing facilities. While these measures appear to have been attended by a measure of success in such countries as Burma and Indonesia, a severe crisis has affected the handloom industry in India, and resulted in increasing numbers of unemployed, despite the various protective measures taken by the government.

Few data are available in the region concerning productivity and employment. In some countries such as Indonesia productivity remains a major problem in the export industries, as wages have been rising, export prices falling, and output per man has remained stationary at a level lower than before the war. In Japan, on the other hand, productivity increases have been spectacular in a number of large-scale industries, and it is only the rapid expansion of the economy that has permitted employment to grow at a rate comparable to that of population.

In India, where productivity increases have been reported in the textile industry, unemployment has become a major issue for government policy, for apart from the crisis in the cottage industries, many white-collared workers have lost their jobs owing to the contraction of commercial and business activity, and the problem may become more serious if unemployment spreads to the organized textile industry. To deal with this situation a number of measures have been taken by the government, which are discussed in the chapter on India.

BALANCE OF PAYMENTS

Changes in the balance of payments of countries of the region have been of smaller amplitude in 1953 than in previous years. The dominant characteristic has been a contraction in the value of both imports and exports, due largely to price declines in both cases, without great changes in the balance. However, in several countries special forces have been at work. In Japan, changes in the volume of trade completely offset price changes; the value of exports rose a little, but the value of imports rose much more, and the decline in special procurement by the United Nations forces added to the unfavourable effect on the balance of payments. Burma and Thailand were still obtaining high prices for rice exports, and in the Philippines higher prices permitted a significant increase in the value of exports in mid-1953.

In Pakistan, drastic import restrictions turned the 1952 deficit into a small balance of payments surplus in the first nine months of 1953. In Malaya, the continued fall in the price of rubber and tin reduced the value of exports to the point where the balance of trade turned negative. In India, the position showed a substantial improvement over the year 1952 taken as a whole, although lower export prices led to a trade balance less favourable in 1953 than in the second half of 1952.

The general level of import prices has shown some decline—though not in the Philippines—with prices of manufactures from Europe, the United States and Japan falling slightly. On the other hand, export prices have shown little uniformity of movement, though changes have generally been moderate. The terms of trade for Burma, Ceylon, and the Philippines (and also for Japan) were more favourable than in 1952, and for India the terms of trade improved markedly during the year, becoming more favourable in the third quarter of 1953 than they were in 1952.[1] But for Malaya, Indonesia, and Pakistan the terms of trade deteriorated; in the cases of Malaya and Indonesia the price of rubber was the dominant factor, in the case of Pakistan, the price of cotton.

In 1953 changes in the terms of trade played a far smaller role than in previous years: improvements where they occurred were small, and most countries are still facing balance of payments difficulties arising from the fall in export earnings of the last two years, during :h the foreign reserves accumulated in the boom od had generally been used up in an effort to ntain the standard of living and the volume of invest- t at or near their 1951 level. The food exporting ıtries, Burma and Thailand, are of course exceptions ıis generalization; so is Japan, where the substantial ımulation of reserves has hardly been drawn upon pt in the case of sterling assets. Even in Thailand, ever, a balance of payments deficit, although of est proportions, appeared in 1953 and that country ed the large group of those who have had to apply einforce import or exchange controls to protect the nce of payments.

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[1] The decline in freight rates which was steep for tankers and significant for tramps may have contributed as much as 1 or 2 per cent to the fall of the unit value index of c.i.f. imports, but the decline in import prices was as a rule much larger than that.

The resort to import restrictions was by no means ersal and Ceylon and the Philippines preferred to equilibrium mainly through a better balance in the get, while Indonesia curtailed government expendi- drastically at the same time as continuing or nsifying import restrictions. While the policy of the ippines appears to have been eminently successful, ɔter 3 shows that the problem remains unsolved Ceylon and Indonesia where foreign reserves low and still declining towards the end of 1953. ooth countries, the governments were confident that ılibrium in the foreign accounts could be re- blished before the level of reserves had fallen to the imum required to ensure satisfactory working nces.

NFLATIONARY AND DEFLATIONARY FORCES

In marked contrast to the decline in both import export prices, the trend in domestic wholesale prices in the cost of living has been upward in most coun- s of the region, except in the Philippines and Malaya. ile this trend suggests that some inflationary pressures ain, considerable caution is required in interpreting e statistics: in some countries such as Ceylon and ia, the increases in the cost of living resulted from ecision of the government to abolish subsidies and the rise in prices curtail private consumption or orb excess purchasing power.

Money wages have also continued their upward ement in all countries of the region for which data available and real wages appear to be almost univer- y higher than they were before the outbreak of the ean war.

Nevertheless there has been a general abatement, if a complete disappearance, of inflationary pressures nany countries of the region, and it has been possible relax domestic controls and rationing, while still serving measures designed to limit imports. Thus, rnally at least, conditions have appeared in which price mechanism can be allowed to equate supply and nand. The improvement in the food situation, discussed earlier in this chapter, contributed to the abatement of inflationary pressures. In Pakistan, however, the food situation has only recently improved with the harvesting of the 1953 wheat crop and increased imports. In the countries where a rising price trend seems to result from inflationary pressures, this may still be partly due to the effect of the boom on private expenditure. As was noted in previous *Surveys*, the increase in incomes was not immediately reflected in a corresponding rise in expenditure, and conversely expenditure continued to rise after incomes had started declining. Since in many countries of the region incomes varied directly with export earnings and changes in expenditure meant largely changes in imports, this pattern led directly to the balance of payments deficits of 1952, and where import restrictions had to be imposed or reinforced, to rises in the prices of both home made and imported goods. Where, as in Malaya, imports have remained almost free, the cost of living declined with import prices, despite the rise in the price of rice.

In 1953, however, this cause of inflation had largely disappeared, as the decline in export incomes in the raw material exporting countries did eventually force down the level of consumption. In Burma, no inflationary pressures had arisen, for the government succeeded in controlling changes in privates incomes, while private savings had been high throughout. In Japan and Thailand where no significant declines in export values had taken place, private consumption remained at a high level and was a major cause of price increases, as excess demand could not be absorbed through a higher rate of imports.

Public finance had been a factor of increasing importance in most countries of the region in the last year. The boom had enabled most governments to expand substantially the volume of their expenditure, largely for development purposes. With the collapse of the boom and the subsequent decline in revenue, unwillingness or inability to curtail expenditure to the same extent as revenue fell has in many cases led to substantial budgetary deficits which serve as an important source of inflationary pressures.

Efforts have been made in a number of countries to avert this danger and in Ceylon, Indonesia and the Philippines substantial cuts were made in government expenditure, involving curtailment of public investment in the last two countries. In Pakistan, while current expenditures have been severely limited, spending in the interest of economic development continues, and the budget deficit coupled with severe import restrictions is the main source of the inflationary pressures to which the economy is subject.

In these countries efforts have simultaneously been made to curtail private spending: subsidies have been abolished in Ceylon and Pakistan, selective credit controls have been imposed in the Philippines to limit commercial and real estate speculation, and in Indonesia import credits have been limited.

In India, on the other hand, government expenditure is increasing as physical difficulties which had slowed down the early stages of the Five-Year Plan are being overcome, while private expenditure increased relatively less. Subsidies have been decreased or abolished, and a strict monetary policy has been in force since the end of 1951. Credit restrictions, coupled with an increase in the Bank rate, appear to have been effective in bringing down wholesale prices in 1952 and in limiting commercial speculation. It appears that these restrictions, while they were without much effect on the level of consumption (or on the level of production of consumer goods), helped to curtail severely all types of private investment, and were thus instrumental in avoiding inflationary pressures otherwise likely to arise from government deficits.

In Japan, the Indian pattern was almost reversed, for a monetary policy favouring almost unlimited private credit expansion was combined with a deflationary fiscal policy. Both policies have now been modified and some tightening of credit has been announced in the second half of 1953 as rising government deficits, despite increases in tax revenue, have created some concern over monetary stability.

EXPORT EARNINGS AND ECONOMIC DEVELOPMENT

At the end of 1953 it appeared that the main concern of governments would be the level of export earnings and the amount of resources available for development. Exports not only provide exchange to import the necessary capital goods and maintain essential consumption, but in most countries they are also, directly and indirectly, the basis of government revenue from which domestic expenditure on development must be financed.

Export earnings are unlikely to increase appreciably. Commodity prices have tended towards stability in 1953, and there is little prospect of substantial rises. Moreover, present prices, in relation to the structure of production costs in the region, hardly provide an incentive for expansion of the volume of production and exports. In the case of rice substantial price falls may well occur, while raw material prices are highly sensitive to changes in the level of activity in the United States.

Necessarily the region, as a whole, has to adjust itself to external factors, and the power of governments of the region to initiate changes in the economies of their countries is thereby limited. Yet it is open to them by appropriate national policies, both in the short term and in the long term, to create conditions leading to favourable long-term developments.

Any check in the production of commodities resulting from recent price developments may have consequences going far beyond the boundaries of the region, or the prospects for a single year. The improved world trade and payments in the last few years has been due to no small extent to an increase in supplies available for export from non-dollar sources, and an interruption in the rising trend in commodity production could worsen the position of Europe and Japan as well as that of the primary producers themselves.

Within the region, there may be possibilities of co-operative action. Rice is a case in point; should too severe a price decline (or the policies of the exporting countries) threaten the long term growth in export availabilities, food importing countries may be faced with a recurrence of shortages.

However, in many countries of the region, the immediate problem is that the prospective level of export earnings and of government revenue is hardly sufficient to provide the increasing amount of resources which governments wish to devote to economic development, and next year may see a sharper conflict between the requirements of rapid growth and of monetary stability. In addition, many countries of the region are committed to a policy of social welfare expenditure, which may prove difficult and perhaps inadvisable to curtail even in case of falling revenue. On the basis of present available resources it would be unrealistic to hope for any rapid economic progress since the level of genuine savings for investment is still low. The interest expressed by several governments of the region in an increased and more assured flow of foreign aid is readily understood in this context. Deficit budgets, offset in their inflationary effects by reduction in private investment or by utilization of foreign exchange resources, have helped in maintaining expenditure, but any large recourse to them may lead to inflationary pressures of a difficult and unfavourable kind.

Some countries have faced boldly up to the problem; for instance, the Philippines has chosen in favour of orthodox monetary and fiscal policies, while Pakistan by contrast is financing economic development through a deliberate policy of repressed inflation. Intermediate solutions have been adopted elsewhere, but in many cases current policies are no more than a temporary palliative insufficient to ward off the threat of inflation, or to control its effect should it follow from a higher rate of government expenditure. These questions are discussed in the following chapters of part I: taxation as a means of diverting resources for development purposes, and of controlling internally generated inflationary pressures is dealt with in chapter 3, while in chapter 4 brief consideration is given to the range of policies open to governments who are attempting to speed up the process of economic development, under the present circumstances of financial stringency.

Part I.

THE REGIONAL SITUATION

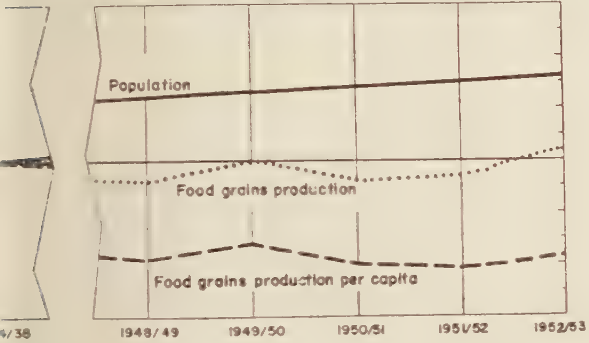
Chapter I.

THE FOOD POSITION

Countries in the ECAFE region have shared in in the world-wide improvement in the food situa- Regional production in 1952/53 rose to a post- high, and for the first time since the war cereals ut has exceeded significantly the pre-war average, -ugh on a *per capita* basis, it is still far below it.

Chart 1

CAFE REGION: INDEX NUMBERS OF TOTAL AND PER CAPITA PRODUCTION OF FOODGRAINS (Excluding China mainland)
1934-38 = 100



Moreover, the output of rice, the main staple of the peoples of the region, registered nearly an eight per cent increase over the previous year, the greatest improvement in any post-war year, and now stands well above the pre-war level. This improvement was shared by almost all countries in the region, whether deficit or surplus, with the main exception of Thailand, which however had large carry-over stocks from the previous crop.

The increased food production of 1952/53 was due in a large measure to good weather which favoured extension of cultivation and realisation of better yields. But two other important contributory factors were the widespread grow-more-food measures and the improved security or institutional conditions in some countries. Steps to stimulate food production through construction of irrigation works, distribution of agricultural requisites and provision of suitable incentives have made good (although far from uniform) progress among the different countries of the region. In India sanctioned expenditure of the central government on short term

TABLE 1

ECAFE REGION[a]: FOOD PRODUCTION

Million tons

	1934/35 to 1938/39 average	1948/49 to 1950/51 average	1951/52	1952/53	1953/54
eals	103.6	100.9	99.7	*106..0*	
Wheat	12.1	11.2	12.2	*10.7*	*11.0*
Rice (milled)	65.5	65.5	63.9	*68.9*	*70.0*
Barley	4.7	5.2	5.2	*6.1*	*5.8*
Maize	6.1	5.5	5.9	*6.2*	..
Millets and sorghums	14.9	13.2	12.3	*13.9*	..
Oats	0.2	0.1	0.2	*0.2*	*0.2*
rchy root crops	19.5	24.7	24.6	*25.9*	..
Potatoes	4.1	4.7	5.0	*4.8*	..
Sweet potatoes and yams	6.9	11.6	10.7	*11.8*	..
Cassava	8.5	8.4	8.9	*9.3*	..
ses	9.1	9.9	10.1	*9.3*	..
ar (raw equivalent)[b]	6.6	5.3	6.6	*6.9*	*7.0*
etable oils and oilseeds (oil equivalent): edible	3.71	3.59	3.85	*3.95*	..

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xcluding mainland China.
ncluding raw equivalent of non-centrifugal cane sugar.

grow-more-food measures for 1952/53 amounted to about Rs. 227 million as against actual expenditure of about Rs. 154 million in 1951/52. Besides, agrarian reform made considerable progress during 1952. In Indonesia, the area covered by improved paddy seed increased from .8 million hectares in 1951 to 1.01 million hectares in 1952 (15 per cent of the total area). Similarly, in the Philippines, programmes covering distribution of fertilizers and redistribution of land to landless labourers made substantial headway. Improved internal security conditions in Burma made possible a significant expansion of the paddy area during 1952. In China increased production in the mainland has been assisted by the restoration of peace and order since October 1949, the extension of peasant proprietorship through land reforms, the organization of mutual aid teams, the provision of suitable price incentives and the supply of consumer goods needed by agriculturists. While measures to increase food production had been in progress in most parts of the region during the past few years, it was largely the favourable weather conditions in 1952[1] which made it possible to reap the full benefit of these measures, by making effective the production potential they had created.

Over the major part of the region, the larger crops of 1952 (particularly rice) became available for consumption towards the end of 1952 or early in 1953. With the coming into the markets of these crops, the supply position eased and prices of locally produced food grains tended to decline. In areas where spring crops are important, the position improved further after the spring harvests of 1953. Owing to the continuing high prices for imported cereals, a growing price disparity had tended to develop between imported rice and the local grains, with a resulting shift in demand away from imported rice.

The shift in demand has a special significance because import requirements depend mainly on the size of local procurement in relation to the offtake (or issues) from government stocks. In the case of most of the deficit countries, import needs tended to go down in 1953 both because larger production increased domestic procurement possibilities and because the higher cost of imported grains tended to decrease the offtake.

Thus in India, where subsidies on imported food grains had been drastically curtailed in 1952, the gap between the prices of locally produced food grains and those of imported food grains tended to widen from October-November 1952, resulting in a reduction of effective consumer demand for imported food grains.[2] Stocks of imported food grains with the government began to accumulate and imports of food grains were reduced in 1953 while the decontrol of food grains was further extended. The population covered by rationing, which stood at 114.2 million in May 1952, came down to 89.5 million in June 1953. The all-India monthly offtake of food grains amounted to 0.35 million tons in May 1953 and to 0.36 million tons in June or 33 per cent less than in June 1952. In the Philippines, as imported rice became more expensive than local rice, offtake of imported rice virtually stopped, and in August the government had still on hand nearly 63 per cent of the rice imported in 1952. In Indonesia and Ceylon, also, offtake of imported rice was lower in 1953, enabling these governments to manage with lower imports. In Ceylon, effective demand for imported rice tended to go down after September 1952 partly because of a reduction in the rice ration and partly because the local harvests became available. Thus, in the first half of 1953, rice offtake was nearly 22 per cent lower than in the corresponding period of 1952. Although the rice ration has been increased appreciably from 20 July 1953, offtake in August 1953 was lower than in the corresponding month of 1952 because of the increase in prices,[3] and in the following month, it declined by nearly 10 per cent. Although imports were no higher than in the previous year, rice stocks at the end of September 1953 were nearly four times the September 1952 level.

In Japan imports of food grains in the first three quarters of 1953 amounted to 2.4 million tons or 12 per cent less than in the corresponding period of 1952. However, rice imports in 1953 are expected to exceed the 1952 imports by about 10 per cent, owing to the shortfall of the 1953 rice crop.

The position was different in the case of Pakistan which became a food deficit country in 1952, following harvesting of a poor wheat crop. A considerable quantity of wheat (0.32 million tons) had to be imported in 1952. The 1953 wheat crop was also unsatisfactory and nearly 0.87 million tons of wheat had to be imported during the first three quarters of 1953. Following larger imports from abroad and harvesting of the 1953 wheat crop, the supply position has improved considerably. Thus, by June 1953 the wholesale price of wheat was 48 per cent lower than it had been in January. Local procurement of wheat was also appreciably better in 1953.[4]

While in the preceding post-war years, it was largely the shortage of rice supplies following disruption of production in Burma and the States of Indochina, which limited regional trade, in 1953 the reduction of effective demand for imported rice became a more ortant factor in the situation. As indicated above, reduction in effective demand was brought about ncreased availabilities of food grains in importing ıtries and higher relative prices of imported rice. le some of the deficit countries aided this latter ency by reducing or withdrawing subsidies on orted grains, the surplus countries contributed to it requiring higher prices for rice. Thus, early in 3 Burma increased the export price of rice on govern-t account from £55 to £60 per long ton. Thailand l to increase export prices on trade account by anding higher premia for the grant of export nits.[1] Reduction in effective demand for imported has enabled importing countries to pay greater ntion to quality and price and also to cut down orts. Since almost the entire rice surplus of the on is now utilized within the region,[2] this has meant ackening of exports from the rice exporting countries Burma, Thailand[3] and the States of Indochina. To ertain extent, the emergence of mainland China ın exporter of rice has also contributed to lower shipments from the traditional exporters of rice. Under a trade agreement with Ceylon, mainland China agreed to supply 270,000 tons of rice in exchange for 50,000 tons of rubber during 1953.[4]

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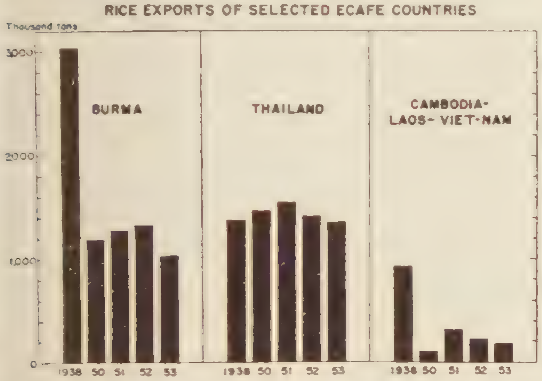
[1] In mainland China, however, weather conditions were favourable from 1950 to 1952.

[2] The gap between the price of imported rice and that of locally produced cereals (other than rice) became wide and, as a consequence, part of the demand for rice was switched over to cheaper cereals—millets, etc.

[3] Rice price has been increased from 12 to 35 cents per lb. The ration has been increased from 2 lbs. per head per week to 2½ lb. In addition, the consumer can buy an additional 1.5 lb. at 43 cents per lb.

[4] Local procurement amounted to 0.29 million tons in 1953 (April-September) as against 0.16 million tons in 1952.

Chart 2



1953 figures represent annual rates based on Jan-Oct for Burma, and Jan-Sept for Cambodia-Laos-Viet-Nam. For Thailand calendar year figures are used.

Table 2 below indicates the imports of food grains (including rice) in deficit countries.

Compared to the previous two years, the financial strain on governments of the region on account of imports and distribution of food grains was appreciably lower in 1953. This was due mainly to reduction in the volume of imports. In Pakistan where imports were larger, the major part of them has become available from the United States in the form of a gift. Another important development, which helped reduce, in some measure, the strain on foreign exchange resources of the deficit countries, was the sharp decline in wheat prices in the international markets in the second quarter of 1953. This was due to the expectation of a substantial increase, mostly in North America, in supplies available after July 1953. In the second half of the year, export markets in the main surplus countries remained generally weak owing largely to sluggish export demand. Between mid-October and mid-November 1953 the Canadian wheat export prices, both under and outside International Wheat Agreement, declined by 8 cents per bushel, thus bringing the IWA price to 1.89 Canadian dollars or 18 per cent lower than last year's. Towards the end of December the Australian wheat price outside IWA (c.i.f. U.K. ports) was about 13 per cent lower than in July 1953. The full effect of these price declines might be felt in 1954 because of the time lag between purchases abroad and their receipt in importing countries.

The position in 1954 will depend largely on the outturn of the rice crops harvested towards the end of 1953.[5] While precise information about the size of these

TABLE 2

ECAFE REGION: IMPORTS OF FOOD GRAINS IN DEFICIT COUNTRIES

Thousand tons

	India	Ceylon	Japan	Malaya	Hong Kong	Indonesia	Total	Percentage accounted for by rice
-38 average	1,986	558	2,004	618	201	366	5,732	89
	2,175	723	2,488	628	192	399	6,605	37
	4,815	693	3,397	683	214	577	10,379	29
	3,994	688	3,682	632	281	955	10,398	34
[a]	1,915	515	2,352	565	277	410	6,033	38

ces: Prior to 1953, FAO: for 1953: Ministry of Food and Agriculture, India; H. M. Customs, Colombo; Registrar of Malayan Statistics, Malaya; Department of Commerce and Industry, Hong Kong; Central Bureau of Statistics (Penerbitan Kantor Pusat Statistik), Indonesia.

GENERAL NOTES: Foodgrains included are rice, wheat and wheat flour, millets and sorghum, maize and barley.

a. Jan-Sep.

Both Burma and Thailand have been allowing exports of about one-third of total quantity on trade account.

In the pre-war years, nearly 26 per cent of the total regional rice surplus was exported outside the region.

In the case of Thailand where data are available for the full year 1953, rice exports amounted to 1,340,000 tons as against 1,425,000 in 1952.

[4] Mainland China exported in all 100.000 tons of rice in 1951 and 200,000 tons in 1952.

[5] In the case of Pakistan much depends on outturn of the spring 1954 wheat crop.

crops is not yet available, present indications are that the regional production of rice is likely to show an increase of slightly more than 1 per cent over the 1952 level. Moreover, the rice crops in deficit countries may turn out to be larger than the good crops of 1952, except in the case of Japan. In that country, the 1953 rice crop has shown a shortfall of about 20 per cent compared to the 1952 level, and the corresponding decline with respect to the 1951 crop is about 10 per cent. On account, however, of the increase in basic rice procurement price and the early delivery bonuses, procurement of rice out of the 1953 crop has turned out to be better than earlier estimates.[1] It already seems likely that in 1954 reduced import needs elsewhere in the region will offset the increase in Japan's rice requirements. On the other hand, rice surpluses available from the traditional rice exporters—Burma, Thailand, the States of Indochina—are expected to exceed the 1953 level by approximately a million tons. Mainland China, with a crop no higher than last year's, plans to export 270,000 tons of rice to Ceylon in 1954 in accordance with its trade agreement.

Thus, the tentative picture of the 1954 food position, which emerges at the end of 1953, indicates a considerable increase in export availabilities in the region, as against limited changes in effective demand at current prices. But effective demand could be stimulated appreciably by a downward adjustment of prices that would shift consumption back towards the pre-war import pattern. The recent agreements concluded by Burma with Ceylon and Japan which provide for export of 200,000 and 300,000 long tons of rice respectively at £50 per ton as against £60 for the 1953 crop, reflect an appreciation of the new relation between demand and supply. It is also reported that between June and November 1953 the export price of rice from Thailand on private account had dropped by 15 per cent.[2] Whether the price decline that has occurred so far will prove sufficient to ensure the offtake of available surpluses, will depend among other things on the actual size of the late 1953 crop.

This situation is a complete reversal of the shortages of the previous years. Prices are once again the governing factor in the regional rice market, and a considerable expansion in consumption would be possible if they were reduced. However, the rice trade is largely controlled by the governments of exporting countries, which derive substantial revenues from it and naturally tend towards a policy of price maintenance. Lower export prices would entail the sacrifice of revenues or of incentives to growers, or both; but high prices have placed rice at a disadvantage compared with grains from dollar sources, the prices of which are falling. So much is evident from the willingness of governments to spend hard currencies on food imports. Before the war rice accounted for a far higher proportion of the grain imports of the deficit countries, and a return towards this pattern of food trade, which could prevent growing surpluses in the exporting countries, depends essentially upon a substantial reduction of export prices.

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[1] Rice procurement from September to 20 December, 1953 amounted to 2.76 million tons of brown rice. In 1952, procurement during the same period had amounted to 3.75 million tons, but in the corresponding periods of the preceding 3 years, it had varied between 3.1 and 3.2 million tons.

[2] The quotation is for white rice 5 per cent broken.

Chapter 2.

THE EXPORT DECLINE

INTRODUCTION

The economy of ECAFE countries except main-d China has largely been dominated in the last years by very sharp fluctuations in commodity ces, affecting not only export earnings, but also level of government revenue and the whole ıpo of economic activity. High prices in the early iod of the Korean war boom made possible sub-ntial increases in consumption levels as well as the nching of a great many development projects, but in period of price decline retrenchment became neces-y. The impact of the price fluctuations was not con-ed to those countries in which exports account for a ıstantial proportion of national income; in India ports are small in relation to national income, yet lationary pressures arose from the commodity boom, d sharp price declines followed. In the case of Japan, ich is a large-scale importer of primary products and porter of manufactures, the impact of the Korean war om nevertheless resulted in a great rise in exports d an improvement in the terms of trade. While Japan d not suffered, as other countries did, from a sharp deterioration in the terms of trade in the subsequent period, it had nevertheless experienced declines in export prices comparable to those of other countries. In fact it appears that, apart from mainland China, only the Philippines has not shown the general pattern of events, largely because of the counteracting effect of the United States Government expenditure.

The timing of events has varied from country to country according to the particular factors affecting the markets for their export products. While the peak was generally reached as early as the first half of 1951, the rice exporting countries continued to enjoy until the middle of 1953 favourable export markets, but in the near future they also may have to face the problems of readjustment that earlier confronted the raw material exporters.

No very dramatic changes occurred in 1953. While some substantial price changes are still in progress, the value of both exports and imports has declined moderately in most countries of the region and the prevailing impression is that of a return to normal.

TABLE 3

ECAFE COUNTRIES:[a] VOLUME OF EXPORTS OF MAJOR COMMODITIES

Thousand tons

	1938	1948	1949	1950	1951	1952	1953[b]
bber	871	1,435	1,417	1,752	1,770	1,643	1,543
-in-concentrates[c]	30	42	40	43	41	46	40
metal	62	48	59	83	66	64	64
e, raw	..	413	392	612	672	812	1,004
e manufactures	947	941	772	648	805	720	..
seeds and oils[d]	1,412	931	1,049	1,154	1,306	1,183	841
ton, raw	463	259	218	239	247	298	380
ton piecegoods[e] (million square metres)	2,563	596	1,016	1,951	1,552	1,126	1,165
a	356	319	377	361	412	382	355
e	5,358	2,198	2,500	2,801	3,230	3,083	2,563
gar	1,890	281	..	1,050	856	1,254	1,469

Data represent total exports of major producing countries given in *infra*, Table 8, Asian Economic Statistics Section, which, in the case of individual commodities, are as follows: *rubber:* Brunei, Burma, Ceylon, the States of Indochina, Indonesia, Malaya (net export), North Borneo, Sarawak, and Thailand; *tin-in-concentrates:* Burma, Indonesia, and Thailand; *tin metal:* Malaya; *jute, raw:* Pakistan and India; *jute manufactures:* India; *oilseeds and oils:* Ceylon, Hong Kong, India, Indonesia, Malaya, North Borneo and the Philippines; *cotton, raw:* India and Pakistan; *cotton piecegods:* India and Japan; *tea:* Ceylon, India, Indonesia, Japan and Pakistan; *rice:* Burma, China (Taiwan only), the States of Indochina, and Thailand; *sugar:* China (Taiwan only), Indonesia and the Philippines.

b. Annual rate based on Jan-Jun figures.

c. Includes exports to Malaya.

d. Oil equivalent.

e. Length figures for India converted on basis of 1 yard width.

COMMODITY PRICES AND PRODUCTION

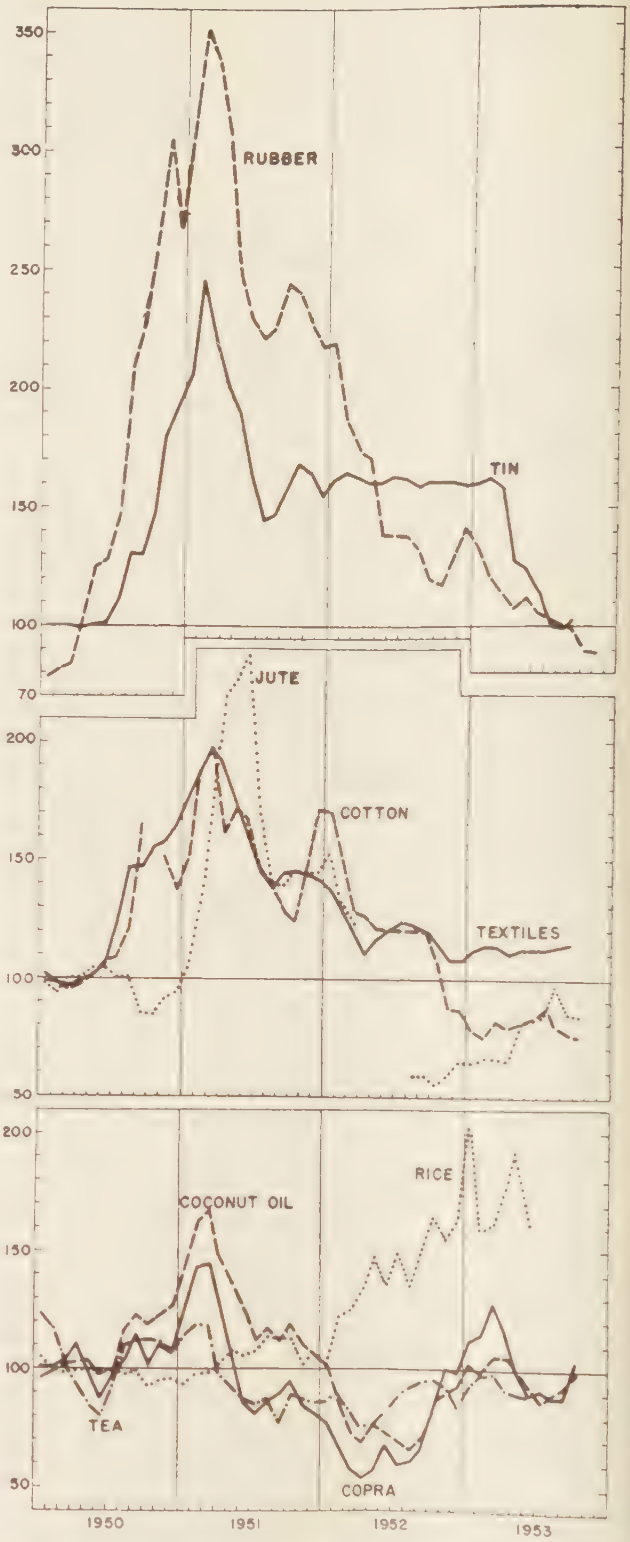
Most ECAFE countries depend for their export earnings on a small number of commodities, and for the countries of the region[1] (excepting Japan), eight commodities or commodity groups, including rice, oilseeds and oils, tea, rubber, tin, petroleum, cotton and its manufactures, and jute and its manufactures, accounted for about 70 per cent of total exports in 1950. With the exception of rice and petroleum products, which are largely traded within the area, these commodities also accounted for the bulk of ECAFE countries' exports to Europe and the United States. Concentration on these few commodities makes the region highly sensitive to changes in their market conditions, and, with the exception of tea, rice and petroleum, they have shown a remarkable degree of price instability which largely created the difficulties of violent inflation and later of re-adjustment which had confronted most ECAFE countries in recent years.

Rubber

While all commodities have reacted to the impact of the Korean war, both the timing and the amplitude of price movements have varied considerably according to the particular factors affecting the market for individual commodities.[2] Rubber is not only the most important export product of the area in value, but has also shown the greatest price fluctuations. Thus the average annual export earnings of the region from rubber, in the three years 1950-1952, exceeded the 1948 average by about $800 million. The Korean war boom hit the rubber market with special violence, for it reinforced a trend of prices already strongly upward, and demand for stock accumulation took particular strength from the general fear in the consuming countries that the source of supply might be cut off by an extension of military operations. A truly spectacular increase in the prices of rubber took them by February 1951 to a level 2½ times that of the first half of 1950 and as high as five times the 1949 price.

The response of production to this price rise was impressive in the case of Indonesia where smallholders' production more than doubled between 1949 and 1951. In Malaya, on the other hand, the shortage of labour on the estates actually resulted in a decline in output which more than offset the modest increase in smallholders' production. Altogether, exports of countries in South East Asia were in 1950 and 1951 only 20 per cent above the level of 1948 and 1949, which was however already over 60 per cent higher than in 1938.

Chart 3
INDEX NUMBERS OF WHOLESALE PRICES OF SELECTED COMMODITIES
Jan— Jun 1950 = 100



Note: The following specifications apply to the above selected commodities:

Rubber	R.S.S. No. 1; f.o.b. Singapore.
Tin	Cash, London.
Cotton	Raw, 4F, Punjab, R.G. Karachi.
Jute	Raw, Middle, Narayangunj.
Textiles	Export price, Japan.
Coconut Oil	f.o.b. Singapore.
Copra	Rosocada, Manila.
Rice	Unit value of exports; Burma.
Tea	Medium grown, Colombo.

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[1] Including Burma, Cambodia, Ceylon, China (Taiwan only), Hong Kong, India, Indonesia, Japan, Laos, Malaya, Pakistan, Philippines, Thailand and Viet-Nam but excluding mainland China, Korea and Nepal.

[2] For a more detailed study of the important commodities exported from the ECAFE region, see *A study of Trade between Asia and Europe,* United Nations publication 1953, II. F. 3.

The high prices of natural rubber prevailing in 1 and in early 1952 resulted in a substantial sub- ution of the synthetic product. Thus in 1951 con- mption of natural rubber declined by 200,000 tons, compared with 1950, while the consumption of syn- ic rubber increased by a slightly larger amount. stitution continued into 1952, although at a slower , because as its price fell rapidly, natural rubber regaining a more competitive position as compared he synthetic product.

By the third quarter of 1953, the price decline slowed down considerably and, at a price of around 20 per lb. in New York, natural rubber may be ected to retain its competitive position and share y in the benefits of any further expansion in world nand.

The market has been highly artificial in the last years. Stockpiling activities, mostly by the United tes Government, have resulted in purchases well in ess of current consumption. On the other hand, important potential consumer, mainland China, has n, until the recent signing of an agreement with lon, practically excluded from the market. A simul- eous disappearance of stock piling by the United tes and full resumption of purchases by mainland ina would, however, leave the rubber market consider- ly weakened.

Another weakness in the rubber industry lies in the t that while prices are back to the pre-Korean war el, the whole structure of costs has shifted upward, rkedly so in Indonesia, and to a lesser but still signi- ant extent in Malaya and Ceylon. In the more tant future the industry can however look forward to bstantial increases in productivity upon the coming o production of the new improved strains currently ing planted (mostly in Malaya).

n

The boom in tin was affected by much the same fluences as applied to rubber. But the market had en falling prior to the outbreak of the war in Korea d prices started rising with some time lag. Both rld output and consumption were still well below the 36-1938 level, and it was only under the impact the rapidly rising prices at the end of 1950 d in the beginning of 1951 that exports of tin m South East Asia equalled and later exceeded the ceptionally low export rate of 1938. The second half 1951 saw a fall of prices from the peak reached in e first half, followed by a temporary stability of tin ices at a level 60 per cent higher than in the first lf of 1950. This price stability, which lasted until the d of the first quarter of 1953, was the result of ntracts placed by the United States Government for rchases of tin from both Indonesia and Malaya, and the price $1.22 per lb. dominated the market for over a year. The reduction of the stocking programme (anticipated and actual) led in March 1953 to a sharp decline in the price of tin and by August 1953 it was back to its level before the Korean war, although it has risen by nearly 10 per cent since then.

A buffer stock agreement to prevent wide fluctuations in the price of tin was concluded at the United Nations Tin Conference in December 1953 and will be open for signature until 30 June 1954. The agreement would operate in such a way as to keep the price of tin metal within the range of £640 and £880 sterling a long ton. The proposed arrangement is of special significance to the region which produces the major portion of the world's tin supply.

Jute and jute manufactures

The price of jute both in London and New York was in 1949 nearly five times the 1938 price, a contrast with the saturation in rubber due to conditions of continued scarcity, reinforced by the interruption of trade between India and Pakistan. Jute prices in 1950 were, however, falling, following a sharp increase in export availabilities in Pakistan, and it was not until the end of 1950 that jute prices showed a significant increase. In 1951, alhough there was a further significant increase in supply of both raw jute from Pakistan and jute manufactures from India, a sharp rise in prices took place following the abolition of the control of jute prices by the Indian Jute Mills' Association and reaching its peak during the second quarter of the year. High prices led to substantial decline in consumption and a further shift to the use of substitute materials, and with the arrival of a larger crop in 1952 in India and Pakistan, the bottom dropped out of the market, jute prices falling in the middle of 1952 to a level only ¼ of the peak. The decline in jute prices and severe restrictions on the sowing of jute in Pakistan resulted in a much smaller crop in 1953. The decline in production led to expectations—fulfilled to a limited extent in the second and third quarters of the year—of a rise in prices, while the volume of exports of raw jute rose sharply at the end of 1952 and in the first half of 1953 under the stimulus of stock replenishment by consumers.

It is anticipated that the improvement in the competitive position of jute products relative to paper and other substitute materials may increase the demand for hessian in the coming year. The outlook for sacking may not be so favourable since the trend towards bulk packaging of grains continues.

Oilseeds and oils

Production of oilseeds and oils in Asia, the main exporting area, has not yet reached the pre-war level and exports from the region, even at their 1951 peak, were lower than before the war, owing largely to the decline in groundnut exports from India and in seaborne exports of soybeans from mainland China. These were scarcity conditions and the prices of most oilseeds and oils before the outbreak of the Korean war were very much in excess of the pre-war level. Thus in 1948 coconut oil in the United States and in the United Kingdom was sold at more than four times the 1938 prices. But the fairly rapid improvement of production since then has imparted a strongly downward trend to prices. The volume of exports of oil seeds and oils from the ECAFE region increased by 40 per cent between 1948 and 1951, and even more significantly, the balance of production and consumption in the United States swung sharply after the war so that by 1952 that country had emerged as the largest single net exporter of fats and oils, whereas before the war it had been the third largest importer after the United Kingdom and Germany. The falling secular trend in prices prevented any very great increase in the prices of oils during the Korean war. Thus in the Philippines the price of copra rose by less than 50 per cent between the first half of 1950 and the peak reached in the first quarter of 1951. The consequent rise in production was however substantial and the large volume of exports in the course of the year contributed to a rapid price fall: by April 1952, which marked the lowest point, the price was barely more than half that prevailing before the start of the Korean war.[1] Copra and coconut oil prices staged a sharp recovery in 1952 following the serious fall in production both in Indonesia and in the Philippines. The first half of 1953 marked a further decrease in the exports of copra and also of groundnuts; successive bad harvests and sharp rises in domestic prices led the Indian Government to impose an export ban on the latter in June 1953. Later in 1953 exports of copra and coconut oil from the Philippines and Indonesia recovered substantially, as prices rose again after a recession in the second quarter.

Cotton and manufactures

Pakistan and, to a far smaller extent, India are exporters of raw cotton, while Japan and India are the main importers—the latter importing long staple cotton not locally available. Japan and India, who are also the principal exporters of cotton manufactures, obtain a substantial portion of their raw cotton from the United States. India also buys in Egypt, while Japan is the main market for Pakistan.[2] The area sown to cotton was severely restricted during the war owing to export difficulties and the need for increased food production, but cotton output has expanded steadily since then, owing mainly to an increase in area sown in India and to increases both in area and productivity in Pakistan, where higher yielding American type strains have been introduced on a large scale. Owing to the post-war scarcity of cotton in soft currency countries, cotton prices in Pakistan were higher in most post-war years than the corresponding prices in the United States. Furthermore, under the impact of the Korean war boom, the price of Pakistan cotton rose sharply, nearly doubling between the first half of 1950 and March 1951 as against a 50 per cent rise in the United States during the same period. While these high prices limited the volume of exports in 1951, a sharp decline in prices led to a considerable rise in shipments in 1952 and in the beginning of 1953. By the end of 1952 Pakistan cotton price was lower than before the Korean war boom, while the United States price had remained substantially above it. In 1953 the food crisis in Pakistan led to some restriction of the area sown to cotton but a greater fall in production is expected, owing to unfavourable weather conditions. Exports might fall even more than output since the rapid expansion of the cotton textile industry in Pakistan is likely in future to absorb an increasing proportion of domestic production.[3]

As regards cotton manufactures, Japanese exports made a slow recovery after the war. Indian exports on the other hand rose rapidly and in 1950, when textile demand was at its peak, reached 6½ times their pre-war level, thanks to the highly competitive price of Indian textiles brought about by controls which stabilized at a low level the domestic price for raw cotton. The Japanese cotton textile industry, on the other hand, with its capacity still severely limited, was not in a position to increase substantially the volume of exports, and it reacted to the Korean war boom by a rise in prices of a size unusual in the case of manufactured goods: between the first half of 1950 and the peak reached in the first quarter of 1951 export prices of Japanese cotton piece goods rose by 80 per cent.

The downswing, in turn, also affected differently the two major exporters of the region. The recession in the textile trade in the course of 1951 hit the volume in the case of India and the prices of exports in the case of Japan. In 1952, however, both prices and quantities declined in the two countries until a marked recovery in the textile trade became apparent in the second quarter of 1953.

Because of the slow expansion of cotton cultivation, the growth of cotton textile production in the region may have to depend on continued imports from outside the region, unless great advances in productivity can be achieved. Export markets within the region for cotton manufactures are unlikely to expand substantially

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[1] While the prices of all oils and oil seeds rose from the middle of 1950 to April 1951, and declined up to April 1952, the amplitude of the movement varied considerably, as did also the subsequent trends. Although edible oils have usually followed the same pattern as copra, industrial oils, linseed for instance, have continued to decline up till the middle of 1953.

[2] Mainland China was the main importer of Pakistan cotton in 1951/52.

[3] Production in 1950/51 and in 1952/53 amounted to 1.5 and 1.8 million bales respectively, while consumption rose from 0.1 million to 0.3 million bales.

number of countries—Pakistan is foremost amongst
—are developing their domestic industries, while
mber of other countries have imposed import restric-
; for balance of payments reasons.

The production of tea in ECAFE countries exclud-
nainland China was 30 per cent higher in 1951 than
var, while exports from the main producing coun-
were only 10 per cent above pre-war, owing partly
ıcreases in consumption in the producing countries.
prices have shown a greater stability than those of
of the commodities reviewed so far. While they
ved little rise under the impact of the Korean war
n, they did however, despite the existence of a
lucers' agreement among the four main exporting
tries, decline in 1951 and fall appreciably in
2. This decline affected most severely some of the
r grades of tea exported from India and Pakistan
a number of tea gardens in Northern India closed
n early in 1953, laying off 42,000 workers. The
e decline led to a drop in production in 1952 and
even greater decline in exports. Prices recovered
ewhat late in 1952 and in 1953 and approximate
librium has again been reached in the market.

While the raw materials which have been discussed
far had shown a fairly uniform pattern, to which
ı tea conformed to a large extent, the course of
ort prices of rice was very different. As stressed
hapter 1 conditions of scarcity had prevailed in Asian
kets until the middle of 1953, because production in
ma and the States of Indochina recovered only slowly,
there was a steady rise in prices. The slight decline
took place in the volume of exports in 1952 was
gely due to the failure of Thailand to sell the whole
its crop, price not being acceptable to the govern-
ıt. The break in the market in 1953 was essentially
to a reduction in effective demand for imported rice
ught about by increased local production and relative-
ıigh rice prices.

ar and petroleum

In the case of the Philippines the price of *sugar*
been stabilized by the quota agreement with the
ted States; the export price rose slowly but steadily
il the latter part of 1953. Earnings from sugar have
s varied with the size of the crop, having fallen sub-
tially in 1951 and risen to a post-war peak in 1952,
le in the first half of 1953 they appeared to show a
in relation to the corresponding period of the pre-
ıs year. Exports from Taiwan were sold at free
ket prices, which had risen up to 1951 but suffered
ıbstantial decline thereafter.

The same price stability has been a characteristic of *petroleum* and petroleum products during and after the Korean war boom; the firm control kept by the large companies prevented any serious fluctuations in prices, and earnings from petroleum products have increased with the growth of output.

EXPORT EARNINGS

The export earnings of countries in the ECAFE region have been largely determined by the prices of the main commodities which have just been reviewed and, to a lesser degree, by changes in export volumes, although in some cases the prices themselves partly reflected independent fluctuations in production. Following the general trend in commodity prices, export earnings have been falling since the first half of 1951 and were still declining in the first half of 1953, although many commodity prices were by then recovering from the 1952 falls. While the decline was extremely rapid, by nearly $1,000 million between the first and the second half of 1951, it gradually tended to taper off and the fall in export earnings between the second half of 1952 and the first half of 1953 was reduced to about $280 million (see table 4). Figures for the 13 countries in the region for which data are available for the third quarter of 1953 indicate that this downward movement has at last come to an end, and the value of exports in the third quarter has been a little higher than in the two previous quarters. Wide-spread gains were to a large extent offset by a continued steep decline in the exports of Malaya, caused by the further fall in rubber and tin prices.

The evidence so far available thus suggests that the level of export earnings of the region were tending towards stability around a level somewhat higher than before the outbreak of the Korean war. The value of exports of 14 countries in the region including Japan in the first half of 1953 amounted to an annual rate of approximately $6,600 million while in the first six months of 1950 they were at an annual rate of $5,200 million. Part of this improvement was, however, due to the substantial increase in Japanese exports over the period. If Japan is excluded, a less favourable picture emerges, showing a rise in exports between the first half of 1950 and the first half of 1953 from an annual rate of $4,600 million to one of $5,400 million. Net exports (excluding extra-regional trade) of 13 countries in the region (other than Japan) in the first half of 1953 can be estimated to have been about 25 per cent higher than in the first half of 1950. This rise, in relation to rises in import prices during the period, by 22 per cent from the United Kingdom, by 15 per cent from the United States and by 20 per cent from Continental Europe, gives an indication of a small increase in the ability of the region to import manufactures from its main sources of supply.

TABLE 4

ECAFE COUNTRIES: VALUE OF EXPORTS

Monthly averages

Million dollars

	1950		1951		1952		1953
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Malaya and British Borneo							
Malaya	66.8	151.8	190.2	140.5	111.9	101.5	86.9
British Borneo							
Brunei[a]	5.6	5.6	7.4	7.4	7.8	7.8	..
North Borneo	1.7	2.8	3.5	2.7	2.0	1.6	1.5
Sarawak	8.6	12.2	14.3	13.4	12.2	11.7	..
Indonesia	41.7	88.0	111.3	97.7	76.3	75.8	63.9
Pakistan	32.4	49.0	79.5	47.7	53.5	35.2	40.8
Philippines[b]	23.5	31.9	39.5	27.3	32.3	25.7	32.3
Ceylon	21.3	31.0	36.0	30.9	29.0	23.6	27.2
Thailand	22.2	25.8	31.5	30.7	27.6	25.9	27.8
Burma	12.5	13.7	19.3	15.4	21.8	22.2	20.7
Cambodia, Laos and Viet-Nam	5.0	7.5	10.2	12.3	11.5	7.9	7.6
China (Taiwan only)[c]	6.5	5.6	9.6	5.2	11.6	8.4	9.1
Hong Kong	42.2	67.3	82.5	47.5	38.5	46.5	45.3
India	88.4	107.9	148.3	125.9	112.5	104.2	88.4
Japan	53.8	82.8	110.3	115.5	113.8	98.3	100.7
	432.2	682.9	893.4	720.1	662.3	596.3	552.2[d]
Total excluding Japan	378.4	600.1	783.1	604.6	548.5	498.0	451.5[d]

Source: United Nations Statistical Office excepting the following: North Borneo, Fourth Supplement to the *Government Gazette;* Brunei and Sarawak, *Annual Report;* Thailand, Bank of Thailand; China (Taiwan only), Bank of Taiwan.

a. Monthly averages based on annual total.
b. Imports valued f.o.b.
c. Figures relate to payments.
d. Excluding Brunei and Sarawak.

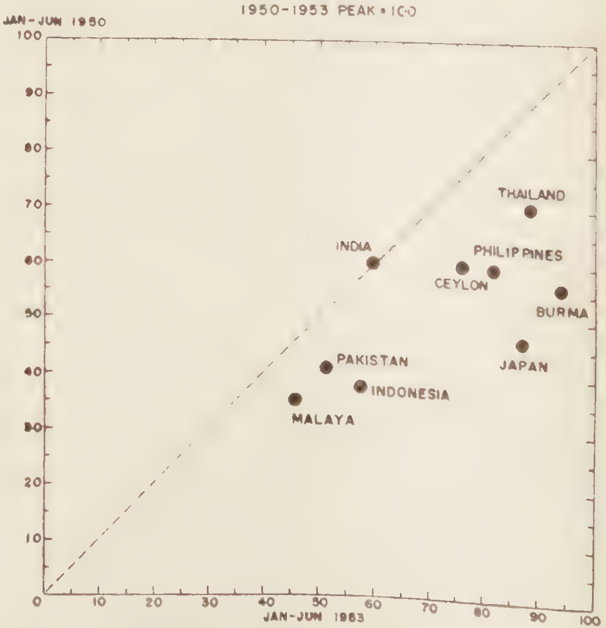
The amplitude of comodity price fluctuations has to a large degree also determined the degree of instability of the different economies. The degree of instability of the major exporting countries of the area is compared in chart 4, which presents the value of exports in the first half of 1950 and in the first half of 1953 as a percentage of the peak value reached in the boom which, for most countries, occurred in the first half of 1951. Thus in the case of Malaya, for instance, the chart shows that the value of exports in the first half of 1950 was only 35 per cent of the peak value which was reached a year later, while in the first half of 1953 earnings had again fallen back to 45 per cent of that maximum. In the case of Thailand, at the other extreme, export values before the Korean war boom were as much as 70 per cent of the 1951 peak while in the first half of 1953 they had only fallen back to 88 per cent of that peak. If instability is measured by the amplitude of the fluctuations of exchange earnings between the peak and positions immediately before and after the Korean war, the chart shows the most unstable country, as closest to the origin.

At the same time the chart indicates the relative change in the value of exports between the first half of 1950 and the first half of 1953. The increase in export earnings between the first half of 1950 and the first half of 1953 is indicated by the distance at which a country is charted to the right of the diagonal. Thus, India's export earnings are shown to have made least headway: their value in 1950 was 60 per cent of the peak and fell back to the same level in the first half of 1953. On the other hand, in the first half of 1950 Japanese exports amounted to 47 per cent of the peak and declined moderately to 88 per cent of the peak in the first half of 1953.

Chart 4

ECAFE COUNTRIES: COMPARISONS OF FLUCTUATIONS IN THE INDEX OF EXPORT EARNINGS

1950-1953 PEAK = 100



Note: The peak relates to the peak half yearly earnings between first half of 1950 and 1953. The peak occurred during the first half of 1951 with the following exceptions: Japan, second half of 1951, and Burma, second half of 1952.

From the point of view of stability in exports, the countries fall in three distinct groups. As may be expected from the commodity composition of their exports, Malaya, Pakistan and Indonesia have shown the greatest percentage variations over the cycle. The economy of Malaya is essentially dependent on rubber which, as pointed out above, has shown the greatest price fluctuations; it relies, though to a lesser extent, upon tin, which has also shown striking price changes. Thus Malaya, in spite of a fairly stable volume of exports, was the least stable of the countries in the region. In the case of Pakistan, the dependence on two commodities, raw jute and cotton, which together accounted for 90 per cent of exports in 1952, explains the instability of the economy. Changes in output have, however, played a far greater role in Pakistan than they had in Malaya and the relative position of the two main exports has changed over the cycle. Thus in 1951, when jute was at a peak, it accounted for 53 per cent of Pakistan's exports and cotton for 32 per cent only, while in the second quarter of 1953 the position was reversed and exports of jute, owing to relatively greater price decline, accounted for merely 33 per cent of the value of exports, while cotton rose to 50 per cent. The instability of Indonesian economy, which is much more diversified in terms of the composition of exports, was largely due to the remarkable response of the output of rubber to price variations. Small holders' production doubled in response to the price increase, while its subsequent decline was partly offset by a delayed increase in estate output. Even so, rubber alone accounted for over 70 per cent of the decline in the value of exports between the first half of 1951 and the first half of 1953.

The intermediate group of countries includes both industriel exporters such as Japan and India and foodstuffs and raw material exporters such as Ceylon and the Philippines. The relative stability of the export earnings of Ceylon can be accounted for by the large contribution of tea to exports (the share of tea in exports amounted to 50 per cent of the total) and by the comparatively moderate fluctuations of tea prices. The stability of the Philippines was partly due to the fact that a very poor harvest of copra coincided with the period of peak prices. In the case of India the fluctuations in export earnings were largely due to the fact that the price of jute manufactures followed closely the violent fluctuations in the price of jute; as much as half of the total decline in export earnings was due to falling jute prices. India is the country in the region where exports have shown least improvement over the pre-Korean war level; this is due to the great decline in the value of exports of cotton manufactures. As pointed out above, in 1950 the Indian industry had succeeded in taking full advantage of the strong demand for textiles, while it has been particularly hard hit by the subsequent decline in textile markets: In the first half of 1953, the value of cotton goods exports was barely half the 1950 rate.

Japanese exports have been characterized by a high degree of price fluctuations, both for textiles and metals, as well as by a strongly rising trend in volume from the extremely low levels which had prevailed up to the beginning of the Korean war boom: these two factors account for the position of Japan in the chart.

Finally, the two countries in the chart which show both remarkable stability over the cycle and a considerable progress over the 1950 export level are Burma and Thailand whose export economies are largely based upon rice (in 1952, rice accounted for 47 per cent of Thai exports and 74 per cent of Burmese exports). The position of these two countries on the chart results, of course, from the continuing rise in the price of rice until early in 1953. One can thus hardly speak of a cyclical movement arising from the effect of the Korean war in the case of these two countries; underlying a basically rising trend, fluctuations in export earnings have been narrow and due to differences in harvest results or to accidental variations in shipments. In the case of Burma, the highest post-war level was reached during the second half of 1952. The analysis of the rice market in chapter 1 suggests that these two countries may experience in 1954 a decline in export prices and earnings.

CONCLUSION

The analysis of the export fluctuations has unavoidably stressed once more the instability of economies depending on the export of primary products.[1] It is notable, however, that the countries in the region which export mostly industrial products have not known a much greater degree of stability in their export earnings. Thus diversification of production, although it will as a rule lower the proportion of national income arising from exports, and thus reduce the impact of export fluctuation, cannot by itself promise automatic resistance to outside cyclical influences. Commodity agreements, such as those recently concluded for sugar and for tin, may contribute substantially to preventing extreme fluctuations in export earnings, while measures of industrialization may reduce their impact. Still it remains necessary that policies be pursued in the exporting countries themselves to offset the variation in export earnings.

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[1] See United Nations: *Commodity Trade and Economic Development*, report by a committee of experts to the Secretary-General; New York, 1953.

Chapter 3.

PUBLIC FINANCE AND THE PROCESS OF ADJUSTMENT[1]

THE IMPACT OF EXPORTS AND PUBLIC FINANCE

The variations in export earnings discussed in chapter 2 were the main dynamic element of the violent fluctuations occurring in almost all countries of the region beween 1950 and 1952. In 1951 the change in export earnings was far larger than the net effect of public finance in all countries for which data are available. Such countries as Korea (South), Laos, Viet-Nam and Cambodia, where the situation was dominated by war or insurrection,[2] were the main exceptions. More recently, however, public finance has emerged as the main dynamic factor, and in 1953 except in Malaya and the Philippines, fiscal policy has become as significant as variations in exports.

Broadly, the countries of the region fall into two groups, the first being the raw material exporting countries including Ceylon, Indonesia, Malaya and Pakistan, to which group India can be joined, and the second, the food exporting countries including Burma and Thailand. Japan showed characteristics similar to those of the raw material exporting group in the early stages of the boom, but later developments were different because the considerable rise in consumption supported the domestic level of production. The Philippines is a raw material exporting country, but remained largely isolated from the major effects of the boom, changes in export earnings being rather weak and offset by variations in United States aid.

Within the group of raw material exporting countries, and in Japan, similarities in the phases of the boom are readily distinguishable, although marked differences in intensity arose from dissimilar degrees of dependence on exports and from divergence of government policy. First came a rise in export prices and earnings which increased government and private incomes and resulted in large accumulations of foreign exchange reserves. Somewhat later came the increase in both private and government expenditures, with the public sector reacting as a rule more slowly than the private. It is notable that, while in 1951 the increase in government revenue had outstripped expenditure and deficits were reduced or surpluses increased (except in the case of Pakistan), in 1952 the trend was reversed and deficits appeared or increased in all countries of the region, with the exception of Malaya—where the previous surplus was diminished—and of the Philippines, where a tighter fiscal policy led to a drastic fall in government expenditure. Since these increases in spending, public or private or both, coincided with a decline in export earnings, almost all countries of this group ran into balance of payments deficit in 1952.

1953 marks a period of readjustment. The prices of tin and rubber were still falling but other export prices were becoming stabilized. Meanwhile, spending in the private sector was generally substantially reduced and various types of import or exchange restrictions were being applied. Governments, on the other hand, although some of them made efforts to curtail spending, as a rule found their revenues declining more rapidly than they were prepared to reduce expenditure, again with the exception of the Philippines, and all the budgets for 1953 show substantial deficits.

In many of these countries, the development of the food situation super-imposed a secondary movement upon that arising from the Korean war boom. Prior to 1950 there had been fairly widespread food shortage and the situation was generally worse than before the war. Demand for food expanded with rising incomes and this coincided with poor harvests in most of the food importing countries in 1951 and 1952, while in Pakistan harvests were poor in 1952 and 1953.[3] In Ceylon, India, Malaya, Pakistan, Indonesia and some other countries food shortages occurred, developing into crises in some cases, and food import prices shot up, which partly offset the benefits from the Korean war boom.[4]

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[1] Government revenue in this chapter and throughout the *Survey* excludes proceeds from loans and transfers from reserve funds, while expenditure includes current as well as capital outlays and loans and advances (net) but excludes debt redemption, contributions to sinking funds and transfers to reserve funds. For details, see the notes to the special tables F and G in *infra*, section on "Asian Economic Statistics" at the end of this volume.

[2] Although Burma and Malaya have also suffered insurgency in varying degree of severity, their economies have followed the pattern dictated by the type of their exports.

[3] The poor harvest in Japan in 1953 will be reflected in increased food imports in 1954.

[4] In some case, the boom in raw material prices contributed to the food shortage. Thus, in Malaya, the movement of labour to rubber production caused a decline in area planted to paddy by over 10 per cent between 1949 and 1951, and may also have contributed to a decline in yield per acre.

At the same time the food exporting countries, the most important of which are Burma and Thailand, which had been less affected by the upward price swing for industrial commodities, profited from the rising export price of food, both on private account and under government-to-government contract. Thailand also benefited, and although the fall in the value of rubber exports and failure to dispose of the entire rice crop led to a fall in export incomes in 1952, this loss was partially recouped in 1953. With respect to public finance these two countries behaved much as the others and budgetary deficits have been increasing over the last three years although the retained profits of the State Agricultural Marketing Board (SAMB) in Burma and the exchange profits of the Bank of Thailand offset their effects.

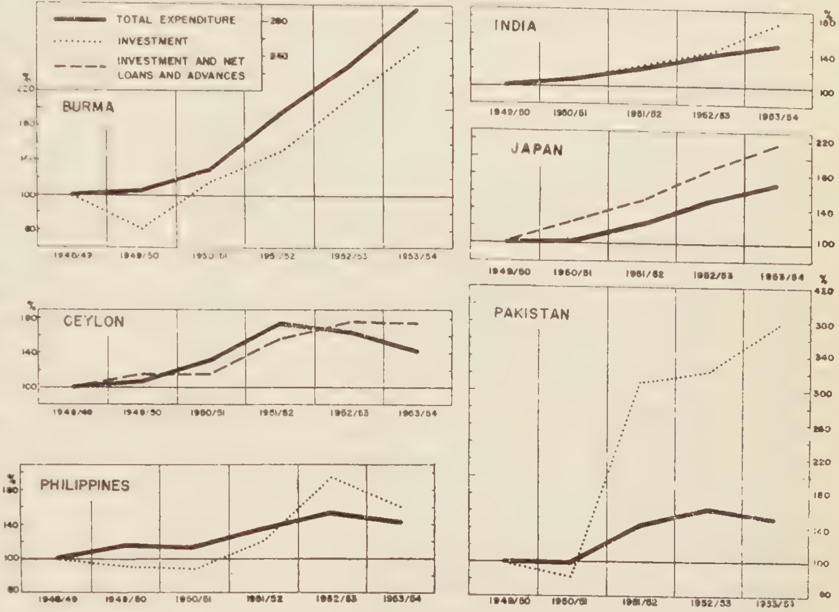
Many countries of the region are facing actual or potential difficulties in their balance of payments. The principal cause lies in the decline in export earnings and in delays of adjustment in private consumption to a lower level of incomes, but budgetary deficits are also partly responsible. To some extent these deficits reflect the difficulties and delays involved in adjusting government expenditure likewise to a lower level of revenue, but often they reflect policies which have not allowed the decline in revenues to stand in the way of active development. Public finance has thus begun to exercise a strong independent influence upon the economic situation of the countries of the region.

GOVERNMENT EXPENDITURE

In all major countries of the region for which data are available total expenditure has risen both in money and in real terms. More significantly, investment expenditure over the period as a whole has risen more than total expenditure, and most rapidly in India and Burma, if figures for 1950 and in the latest budget available are compared. Moreover, in India, owing to existence of a well integrated Five-Pear Plan, economic services—which include current expenditures on a wide range of objectives closely linked to development—have shown since 1950 the next greatest percentage increase. This pattern of expenditure has evolved over a period; only in 1952/53 did investment start rising markedly in relation to total expenditure; only in 1953/54 with the relative decline in defence expenditure, subsidies and social services did the full pattern become apparent. In Ceylon, investment was slower getting under way, as large subsidy payments dominated the budgetary picture, and it was only with the decrease of the subsidies in 1952/53 and their abolition in the following year that investment caught up with the growth of total expenditure. In Japan, direct government investment is a relatively small proportion of government expenditure, being limited in the main to public works connected with agricultural improvement, but total government investment, including indirect investment in the shape of loans and advances to private industrial concerns, has been growing steadily, as it did also in Pakistan. In the Philippines, on the other hand, investment which had shown rapid increase until 1952/53, was cut severely in the 1953/54 budget.

Chart 5

ECAFE COUNTRIES: CHANGES IN TOTAL GOVERNMENT EXPENDITURE AND GOVERNMENT INVESTMENT



Social services are a large item in the budget of the Philippines and Ceylon, and they have been growing rapidly in Malaya, Burma and Pakistan although they are still small in the latter country.

Another major call upon budgetary resources is national defence. Defence expenditure has risen rapidly in the two countries, Burma and Malaya, where troubled security conditions have imposed increased efforts in that field. Although the increase in defence outlay has been truly spectacular in Malaya, neither there nor in Burma has spending for defence exceeded a third of the budget; indeed in Burma it remained far less than investment expenditure and in Malaya barely exceeded it.[1] In Pakistan, on the other hand, defence outlays have been very high, and until recently exceeded 50 per cent of total central expenditure: only with the general expenditure cut in 1953/54 have they fallen to 43 per cent of the total budget.

Of this group of countries, it is in India that the greatest proportion of budgetary resources is being devoted to economic development. The share of investment in Central Government expenditure has risen from just under 30 per cent in 1949/50 to nearly 40 per cent in the budget for 1953/54, and economic services account for another 4 per cent of expenditure.

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[1] Excluding expenditure financed directly by the United Kingdom.

In Burma, Pakistan and Ceylon investment accounts for nearly a third of total government outlays, but the proportion is lower in Japan, the Philippines and Malaya where the main responsibility for the development of the economy is laid upon private enterprise.

Indonesia, Burma and India appear to typify the varied reactions which took place in countries of the region to the change in export earnings. At one extreme stands Indonesia, where a strong sense of the urgency of industrialization prevailed under the gain of independence, and—when the export boom appeared to provide the means—efforts were made to do as much as possible in as short a time as possible irrespective of costs. Expenditure rose by 56 per cent between 1950 and 1951 and by a further 40 per cent between 1951 and 1952, when revenue was already falling. The drastic cut in expenditure which became imperative in 1953 has forced the abandonment or postponement of many projects which had barely been started, and little is left of the benefits of the boom. At the end of October 1953 foreign exchange reserves were below their level at the end of 1949.

At the other extreme stands Burma, where the slower and more regular rise in exports and government revenue created more favourable circumstances. However, the planning of development has been time-consuming, and, despite the determination of the government to accelerate the process of development, expenditure has consistently fallen behind schedule and foreign reserves have continued to accumulate. The benefits of the boom have been largely unused.

India stands apart from these two examples. The export boom and recession have forced policy changes in a great many fields, of which the shift from export restrictions to export promotion may be given as an example, but public investment has made almost uniform progress, and variations in revenue have been absorbed by changes in other types of expenditures, such as subsidies. Such a policy was, of course, possible only because India depends relatively little upon exports.

THE PROCESS OF ADJUSTMENT

The problems of adjustment facing most countries in the region spring as much from their internal as from their external situation. The balance of payments difficulties which face many of them, while directly due to falling export values, can also be regarded as resulting from the failure to adjust both public and private spending policies to the resources currently available. The private sector, with its earnings swelled during the boom and not immediately spent, tended to maintain or even increase its spending as exports and incomes declined and expenditure must now swing more into line with current incomes. In the public sector, higher government incomes have led, usually with a longer delay, to higher levels of expenditure, which now tend to be maintained as a matter of policy while revenues tend to decline. The external manifestation of these delays and these policies is a level of imports imperfectly adjusted to the lower current value of exports.

Direct information on the behaviour of the private sector is scanty, but broad inferences may be drawn from the data on the public sector and on the balance of payments. The balance of payments reflects the difference between the income and the expenditure of public and private sectors taken together, and, provided allowance is made for inaccuracies in some of the data, a comparison of budget and balance of payments figures permits tentative conclusions regarding the relationship between private incomes and private expenditures—the

Chart 6

ECAFE COUNTRIES: PERCENTAGE CHANGE IN IMPORTS AND EXPORTS BETWEEN 2ND & 3RD QUAR. OF 1952 & 2ND & 3RD QUAR. OF 1953

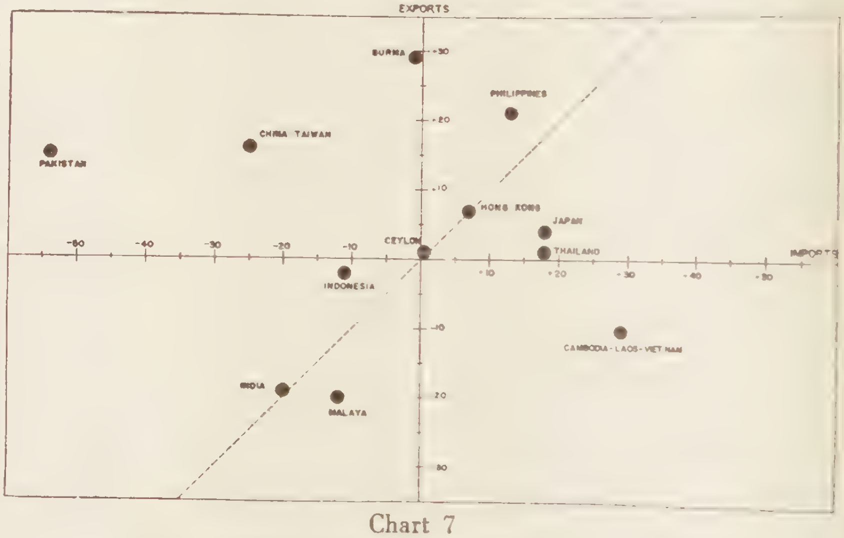
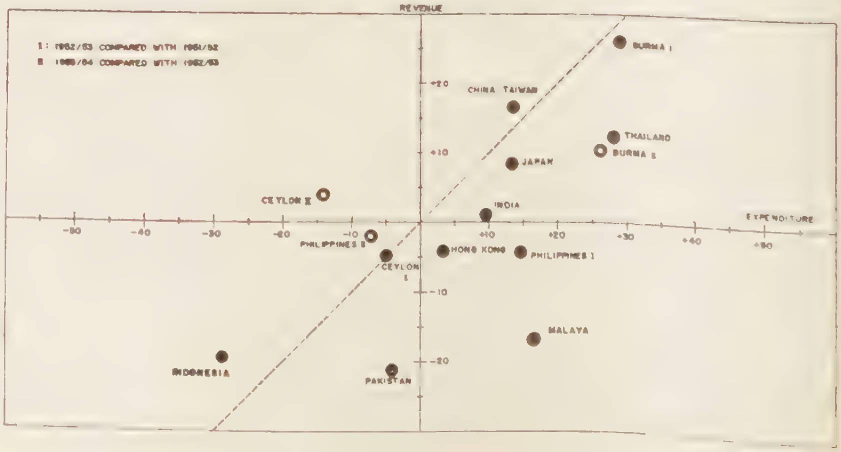


Chart 7

ECAFE COUNTRIES: PERCENTAGE CHANGE IN REVENUE AND EXPENDITURE BETWEEN 1952 AND 1953



latter including both consumption and investment. This method, however, does no more than register events after their occurrence, and needs to be supplemented by a description of the forces currently at work.

Chart 6 shows the percentage changes in imports in relation to exports between the half year covering the second and third quarters of 1952, and the half year covering the same quarters of 1953. Countries which have increased imports in relation to exports appear on the right of the diagonal line, and those which have decreased imports in relation to exports appear on the left. The chart contains no information regarding absolute magnitudes but merely sets forth the direction of change. Thus Indonesia has reduced both imports and exports, but since imports have deceased by the larger proportion its point lies to the left of the diagonal line. This does not mean that Indonesia has no balance of trade problem, but merely that its position has improved.

Public expenditure is similarly analyzed in chart 7 for the financial years covering the half yearly periods entering into chart 6. Countries increasing expenditure in relation to revenue appear on the right of the diagonal line, and those decreasing revenue in relation to expenditure lie to the left. That a country should lie to the left of the diagonal does not imply that the government no longer contributes to inflationary forces, but merely that its contribution, if any, is reduced.

In chart 7 two points each are plotted for the Philippines, Ceylon and Burma, and the second one shows the change in the budget for the year starting July 1953 in the Philippines and October 1953 in Ceylon and Burma in relation to the previous fiscal year. These charts confirm what has already been stated, namely that a number of countries are making headway towards adjustment in their foreign trade, while their governments are still increasing expenditure in relation to revenue. Thus it appears that most of the burden of adjustment has so far fallen on the private sector, where expenditure declined as the peak level of income ceased to affect the level of consumption. However, there is evidence to show that spending persisted as attempts were made to maintain standards of living reached in the boom, and part of the adjustment had to be forced by government action. In India, Ceylon and Pakistan, subsidies have been decreased or abolished, directly affecting the level of consumption, and import controls—newly established or tightened in a number of countries, the most striking example being Pakistan—helped to reduce import demand at least. Tighter monetary policy, affecting investment rather than consumption, may also have contributed to reducing total private expenditure. India has had such a policy in force since the end of 1951, and in Japan the most recent indications are that the lenient monetary policy pursued during the period of rapid expansion is coming to an end. Similar tighter policies are being followed in Indonesia, Pakistan and the Philippines, essentially with the aim of restricting credit available for imports.

Even the generalization that the private sector is bearing the brunt of the curtailment is not without its exceptions—Thailand and Malaya, for example—and from other points of view the situations of the countries of the region show sharply diverging trends, so that only the most tentative grouping is possible.

TABLE 5
ECAFE COUNTRIES: GOLD AND FOREIGN ASSETS

(End of months) *Million dollars*

	1950 Jun	1951 Jun	1953 Jun	1953 Nov
Burma Government, Union Bank of Burma, other banks	..	159	258	249[a]
Ceylon Central Bank of Ceylon	88	136	62	54
India Reserve Bank of India	1,985	2,048	1,745	1,738
Indonesia Bank of Indonesia	178	451	284	203
Japan Government foreign exchange holdings	305	485	846	854[b]
Pakistan State Bank of Pakistan[c] (issue department only)	363	404	281	282[a]
Philippines Central Bank of the Philippines	221	272	233	243[a]
Thailand Bank of Thailand	253	324	328	321[b]

Source: IMF

a. Sep. 1953.

b. Oct. 1953.

c. Converted from national currency. Include assets with the Reserve Bank of India pending transfer.

At one extreme stand Burma and Thailand which are similarly placed with respect both to changes in public finance and to continued rises in domestic incomes; but although government expenditure in both countries is increasing faster than government revenue there are striking differences in the pattern of their foreign trade and in the behaviour of the private sector of the economy. Net private savings appear to have run at a high rate in Burma, for despite the relative increase in expenditure and the substantial rise in the value of exports, imports have shown no appreciable rise between the periods to which chart 6 applies. Monetary expansion is continuing owing to the government deficit, but no signs of inflation are apparent in the economy. In Thailand, on the other hand, exports have been stationary and imports have risen rapidly, reflecting both government and private spending, but owing to the import surplus and to currency absorption by the central bank through the system of mutiple exchange rates, the large government deficit has led to only a small increase in money supply.

Since both countries are faced with the prospect of a decline in the value of exports in 1954, serious problems of readjustment might arise. In Burma a decline in the price of rice would affect the profits of the SAMB, and hence government revenue, and might leave incomes in the private sector almost unchanged. But in Thailand, where the control over domestic prices is somewhat less severely enforced, both government revenue and private incomes might suffer. While both countries, particularly Burma, have substantial foreign exchange reserves, the import restrictions recently put in force in Thailand reflect awareness that adjustments may be required in the level of consumption.

Despite the substantial differences in their situation, the Philippines and Ceylon are substantially curtailing government expenditure in relation to revenue and are largely relying on the price mechanism to effect the required adjustments elsewhere in the economy. In Indonesia, too, substantial reductions in expenditure are apparently in hand. This trend, though not apparent during the last fiscal year in Ceylon and the Philippines, comes out clearly if the budget figures for 1953/54 are compared with those for 1952/53 (see in the chart the points marked Ceylon 2 and Philippines 2). Yet despite this broad similarity there are substantial differences in the details of policy. The Philippines is relying essentially upon the 17 per cent exchange tax which is being kept in force, while Ceylon has increased import duties and is tightening up exchange licensing though maintaining its general liberal exchange and trade policies. On the other hand, Indonesia is applying tighter import controls and higher import duties have been levied since the middle of 1952, but rises in the cost of living are being restrained by large imports of foodstuffs.

Moreover, export trends in these three countries are substantially different. While in Indonesia exports are still declining a little because rubber continues to fall in price, in Ceylon they are steadier, in part at least because the trade agreement with mainland China has cushioned the rubber trade against falls in the international market price. In the Philippines, on the other hand, exports have risen substantially with better prices for copra and increased sugar exports, while imports have risen only moderately. With the current changes in fiscal policy, the immediate adjustment problem would appear to be largely overcome. Both Indonesia and Ceylon are in balance of payments deficit, and their budgets still show sizeable deficits despite the curtailment of government expenditure. Indeed, recent developments in Indonesia, indicating that government expenditure might outstrip budgetary provisions, suggest that substantial inflationary pressures will remain.

India, Malaya and Japan form a group of three countries in which revenue is steady or declining and the trade situation is static or deteriorating, but public expenditure continues to rise. But these similarities are accompanied by contrasts. In Malaya the budget has only recently passed into deficit, whereas in Japan there has been a rather longer standing deficit. In India it has become possible to increase public expenditure and the deficit without any decided inflationary impact because the private sector has shown signs of contracting activity. As for the trade situation in Malaya, a deficit has resulted from the continued fall in tin and rubber prices, and it is likely to continue since the growing excess of government expenditure over revenue is almost exactly offsetting the fall in private incomes following on the decline of exports. Nevertheless the deficit is small and the volume of reserves can be assumed to be large. In India too the balance of payments situation remains favourable, since the trade deficit is small, relative to the volume of reserves, and offset by services receipts, the foreign exchange reserves being actually higher in October 1953 than a year before. Indeed it would seem that the depression apparently spreading from business to manufacturing may be the signal for an increase in the volume of public expenditure, but the danger of inflation hardly arises.

The trade position of Japan, as shown in chart 6, is significant only in that the value of imports has shown a considerable increase. The small percentage rise in the value of exports has little meaning, since commercial exports account for less than 60 per cent of Japan's foreign exchange earnings. The Japanese balance of payments shows only moderate signs of deterioration so far, except in the sterling account, but it remains at the mercy of changes in expenditure by the United Nations forces. The rapid increase in consumption that started in Japan in 1952, coupled with a high rate of private investment and budgetary deficits, has not led o any marked inflationary pressures, thanks to a rapid xpansion in output based on the existence of considerble unused capacity. Should all these expenditures ontinue their rapidly rising trends, inflation might hreaten, for capacity is approaching full utilization in ome sectors, but a check has been applied by the tightenng of credit restrictions announced by the Bank of apan in the second half of 1953, and the preliminary udget estimates for 1953/54 recently prepared by the Iinistry of Finance suggest that an effort is to be made o reduce the budget deficit.

Finally, Pakistan stands alone among the countries f the region in the policies it is pursuing. Its foreign rade position is remarkably improved, yet government xpenditure is falling far less than government revenue nd the budget deficit is increasing. The Pakistan overnment has succeeded in imposing a severe curtailnent on imports which showed a marked fall, while leliberately maintaining through government expenditure situation of suppressed inflation. The improvement in xports shown in chart 6 is far less significant, for in he second and third quarters of 1952. the base period, he jute market was in the doldrums and the volume of xports exceedingly low.

The steep decline in government revenue shown in hart 7 is linked both to the low level of incomes enerated by exports in the previous year and to the rop failure; to that extent some improvement in the ituation may be expected in the coming period.

Internal monetary balance in Pakistan in 1952 was argely maintained through a rapid use of oreign exchange reserves, and both the xternal and internal strains were lessened n the second half of 1953 by substantial oreign aid in the form of large-scale wheat grants, the sales proceeds of which, while hey are not included in government revenue, till have the same impact as higher tax collecions. While these wheat gifts are helping to tabilize money supply and the cost of living or the time being, severe strains may eappear in 1954.

Thus. in a number of countries fiscal oolicies are now the active contributory factor o inflationary pressures, and some further consideration of the balance between government revenue and expenditure seems to be equired. Governments would justifiably be most reluctant to abandon the increases in xpenditure now being undertaken in the ause of economic development. The limits o which deficit financing can be carried vithout endangering monetary stability are liscussed in chapter 4, while the remaining ection of this chapter is concerned with he problems of taxation, for while taxation provides neither a quick nor a complete answer to the problem of financing of economic development, it is now more than ever an instrument essential to the new role of public finance.

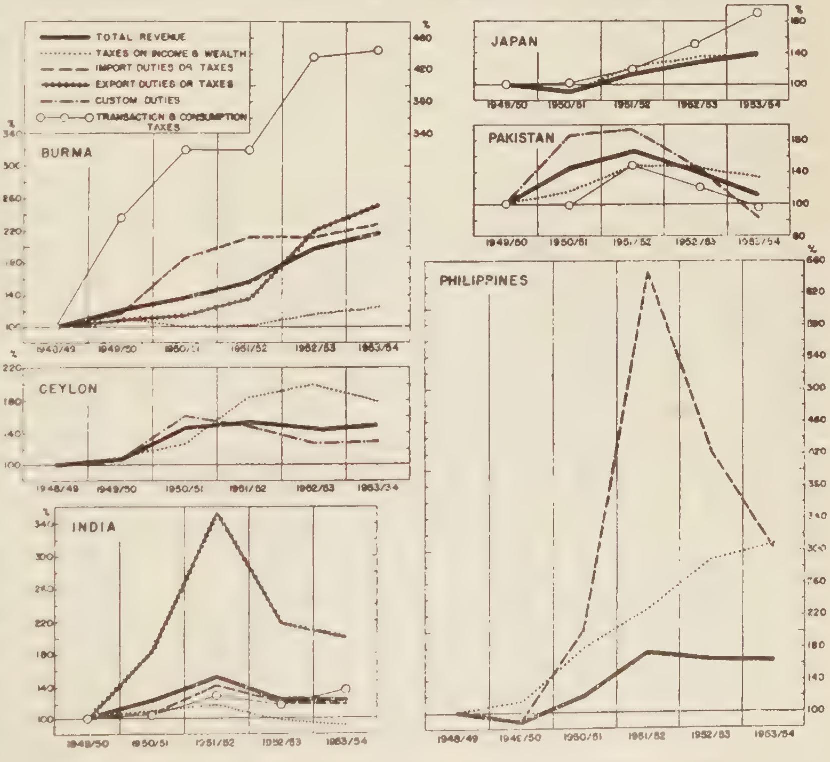
TAX POLICIES

The rise in export prices following the outbreak of the Korean war produced an immediate increase in incomes and profits and most governments reacted by raising export duties.[1] However, while these measures produced large and partly unforeseen increases in revenue, the rise in export prices was so great and came so quickly that the measures taken were too little and too late to prevent the boom from causing domestic inflation. Pakistan and India reacted most promptly, raising duties on cotton and jute in October and November 1950. Duties on rubber were raised in Malaya in January 1951 and in Ceylon in March 1951. Since the peak in rubber prices came in April, high taxation applied mainly in the period of price declines; by the time sliding scale duties were introduced in Ceylon falling rather than rising prices were in prospect. In Malaya, over the two years 1950 and 1951, export duties absorbed only 9 per cent of the increase in private incomes due to the rise in prices, while in Indonesia the corresponding proportion was 16 per cent.

In Burma and Thailand, the situation was entirely different, as export prices rose but slowly and controls over rice, the major export product, enabled the

Chart 8

ECAFE COUNTRIES. CHANGES IN MAJOR COMPONENTS OF GOVERNMENT REVENUE



NOTE: Burma: Export taxes include export duties and rehabilitation contributions of S.A.M.B.

Philippines: Import taxes include import duties and proceeds of exchange tax.

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[1] The Philippines and Japan levy no export taxes.

government to prevent increased export earnings from reacting on domestic prices and incomes. Thus, only these two countries succeeded in isolating their economy from the inflationary impact of rising export prices, and in Thailand this was partly offset by large-scale government deficits. The Philippines have also enjoyed comparative immunity from sharp fluctuations, but this was the result of external offsetting factors rather than of government policy.

Governments took very little action in the fiscal field beyond applying export duties and these therefore accounted for an increasing share of revenue during the boom period. In export economies such taxes correspond in some measure to income tax, and in the promptness of their effect and the ease of their collection, they appear a good means of controlling inflationary impulses arising from outside the economy. But retention of this method of taxation as a main method of raising revenue after substantial price declines have set in has not proved entirely satisfactory. Since governments have usually had little control over external prices and could not afford to discourage exports by making them unprofitable, such taxes have had to be reduced more rapidly than export prices fell, and thus formed an uncertain basis on which to build expenditure policy. Such dangers arise, of course, only when export taxes form a substantial part of revenue, but in the last few years the trend has clearly been towards such a situation. Thus, in India despite its comparatively small dependence on foreign trade, not only did export taxes play a large role during the boom period, when they were particularly useful in absorbing inflationary pressures generated by foreign demand, but even now their yield remains twice as high as before the boom, although falling substantially in 1952/53 and in the 1953/54 budget.

In Ceylon, export duties after reaching a high level in 1951 were back, in the 1954 budget, approximately to the 1950 level, while income and profits tax still yields considerable higher revenues than in 1950. Since there is little industry in Ceylon and export crops are to a large extent grown on estates run commercially, export duties and taxes on income and wealth fall largely on the same sector of the economy. It is notable also that these two taxes displayed similar variations, which were, of course, greater than those in export values, partly because some of the export taxes were on a sliding scale, and partly because profits from exports rose and fell more sharply than export values themselves. The lag between peak yields in export duties and income tax, which is conspicuous in Chart 6, is typical of a tax system in which assessment and payment follow the earning of income by at least one year.

A further extreme example is offered by Burma, where export taxes—including not only export duties as such but also contributions of the State Agricultural Marketing Board to the budget—have been rising rapidly and account for nearly one half of total revenue for 1952/53 and 1953/54. Developments in Thailand have been similar; although export duties on rubber and tin were reduced by a change in effective exchange rates, the effective rate of tax on rice exports has increased with the growing gap between domestic and export prices.

Import taxes in various forms have also been relied upon to an increasing extent. The most remarkable developments were in the Philippines where a 17 per cent tax on purchases of foreign exchange, levied on all but a few essential imports, has made a considerable contribution to government revenue and was largely responsible for the conspicuous budgetary surplus of 1951/52; and in Indonesia where exchange rates have been used to discriminate between types of goods imported, and, to a far lesser extent, against purchases from the dollar area.[1]

Import duties have accounted for approximately 30 per cent of revenue in Ceylon, and in India for a smaller but still substantial proportion—over 20 per cent of central revenue in the 1953/54 budget.

In Pakisan, on the other hand, with falling export prices and drastic import restrictions, yields of both import and export duties have fallen substantially and whereas together they yielded over 60 per cent of total revenue in 1950/51 their share has fallen to a third by 1953/54.

There has been comparatively little development in the field of income tax which in most countries of the region plays a far smaller role than either taxes on foreign trade or other indirect taxation. The conspicuous exception is Japan, where income tax taking its personal and corporate forms together, has accounted for more than half of total revenue, a proportion appropriate to one of the most highly developed tax systems in the world. Perosnal income tax in Japan has been declining in relative importance, while the greater increase in the yield of corporation taxes since the boom has partly resulted from a marked rise in industrial and commercial profits.

Increased yields of income tax in the Philippines have followed improvements in the efficiency of collection, and higher tax rates were imposed in Malaya and Singapore,[2] though in India the yields, in relation to total revenue, have declined substantially and regularly over the last few years. During the war, direct tax yields in India were high, income tax accounting for more than 40 per cent of central revenue at one stage. However, changes in rates and exemption levels as well as the growth of other types of taxation have led to a relative decline, and the recent imposition of death duties, though possibly of great social and economic consequence, will do little to restore the proportion of direct taxation in total revenue.

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[1] The additional surcharge on imports from the dollar area was small.

[2] Since Singapore, like Hong Kong, is a free port there are, with a few minor exceptions, neither import nor export duties.

Land taxes are significant as a source of revenue n only five countries of the region, and in these their mportance has declined. Their yield is substantially ower in Burma than before the war, and the increase n the last few years appears to be due to the extension f land under cultivation. In India and Pakistan as well, land tax has lost a great deal of its traditional mportance: its yield is far less than that of taxes on ncome and wealth and it accounts for less than 10 per ent of the combined revenue of the central and states overnments.

On the other hand, since 1951 land tax has become major source of revenue in Korea (South), where an gricultural income tax with rates going as high as 30 per cent of the gross produce of the land has been mposed as a temporary war measures. In mainland China land taxes are playing a significant role, and are ssessed, as in Korea (South), on the basis of yield. n Taiwan, the land tax also collected largely in kind, lthough organized in somewhat difficient fashion, plays a smaller role in government revenue.

Much taxation performs esesntial purposes of control nd discrimination which have not been discussed, and ndeed only the broadest conclusions are permissible without more detailed examination. Yet it is clear that he tax structure of most countries in the region is not well fitted to the control of inflationary forces generated nternally. Export taxes would prove of no avail against he expansion of disposable income and consumers demand likely to emerge under the spur of deficit financing. Nor do import duties provide a source of revenue readily expansible under such conditions; only so far as the import of non-essential consumers goods is permitted can the yield be expected to grow, and most countries could hardly afford to increase such imports on a significant scale. Indeed, as the level of development rises this source might be expected to decline in relative importance.

Export taxes are somewhat limited in their incidence where the export sector is concentrated in commercial estates; but even at their broadest, they fall on hardly more than a third of agricultural output. Income taxes have an even narrower base. In India, for example, the share of income and profits taxes in total revenue is low relative to their share in more developed countries, yet rates are not low. This apparanet paradox is explained by the concentration of taxes on the business and industrial community and the limited incidence of income taxes on the agricultural community, which forms by far the larger part, whether in terms of numbers or of income, of the Indian economy. In other countries, such as Ceylon, the position is perhaps worse, for their export taxes and taxes on income and wealth are concentrated more heavily on a limited sector of the economy. It is unlikely that taxation so narrowly based would be capable of providing the funds for expanding government expenditure without in some degree discouraging enterprise within the private sector, upon which satisfactory development greatly depends.

These weaknesses will not easily be repaired. The tax structure in countries of the region ideally should fulfill three major requirements, within the structure there should be a system of export taxes on a sliding scale basis which would, as far as possible, absorb the purchasing power which might otherwise be generated by sharp upward fluctuations in export prices; secondly, there should be a system of direct and indirect taxation capable of controlling inflationary pressures arising within the economy from the spending of the public sector; and thirdly, the incidence of taxation should be so extended and its bases so chosen that the growth of revenue accords with the progress of development.

In principle, the development of income and other direct taxes would be a satisfactory and equitable method of securing the two latter requirements. Yet administrative difficulties alone are likely to prevent any great or early progress in this direction in most countries, except such as may be secured by the more efficient use of existing tax machinery.

Indeed, recent developments in many countries have shown that indirect taxes, and particularly sales taxes of various kinds, are administratively fairly simple to apply, and the tendency towards their further use will no doubt continue. They have the advantage of immediate effectiveness which is harder to ensure in direct taxation, they are less obviously onerous, and they can more easily be turned to other uses than the mere raising of revenue. And in the relatively simple export-import economies complex systems of taxation appropriate to economies such as those of India or Japan are less necessary. Yet the new expenditure policies will eventually create new opportunities for taxation as well as making new demands on it, and the tax system has as great a claim as expenditure on the attention of planners, for it is equally, if less spectacularly, a determining factor in development.

Chapter 4.

PROBLEMS AND POLICIES OF DEVELOPMENT

INTRODUCTION

Previous chapters have stressed the violent fluctuations in exports and incomes arising from the Korean war boom and discussion will now concentrate on their effects on the underlying process of economic growth. Although sufficient data are not avilable for a full appraisal of the impact of the cycle, it is apparent that the foreign exchange earnings and resources of many countries of the region are approximately at the level they had reached before the war started, the gains of the boom being used up in the decline. But the process of adjusting consumption to lower income levels and the reorientation of policies towards development have created a different set of circumstances in which the problems of economic growth show up in a new light.

The discussion will be carried out in terms of the level and distribution of investment and the means available to governments to change them. The volume of investment is thus taken as the best available indicator of the rate of progress; it is however a very imperfect indicator and a given rate of investment expenditure, even when its composition is known, is no sure guide to the growth of income and output, of which investment is but one determinant; alongside it stand considerations relating to land tenure, property and tax laws, and other basic facts of economic and social organization. For example, the growth of agricultural output and of specialisation in cash crops not only increases rural incomes, but also by enlarging the market, may extend the possibilities of industrial production. The work of the rural co-operative societies in Ceylon and the community development projects in India, Pakistan and Burma may well be making a contribution to growth potential greatly in excess of the expenditure credited to them. Even in industry, some of the most significant advances may be the result of changes in techniques or organization that may actually be capital-saving in character and require very little new investment. And the growth of initiative and the willingness to take long-term risks may be of equal importance.

Even without taking these factors into account the productivity of investment newly undertaken remains difficult to assess. The region is not without a few projects which have wasted investment funds or used scarce resources inefficiently. And ventures yielding immediate increases in output may yet make no permanent contribution, since their successful operation may depend on special or temporary circumstances. On the other hand, some outlays indispensable to the development of the economy have no immediate effect on output. Expenditure on basic facilities in the fields of power, transport and communication, as well as on education, may fall in this category, for they provide benefits mainly by removing impediments to other types of development.

While none of these problems can receive more than a passing reference in the present context, it should be borne in mind that the rate of investment may not fully reflect the strength of the other factors at work and thus in the long run the growth of different countries may differ from what the investment figures would suggest.

LEVEL AND NATURE OF INVESTMENT

Level of investment

No direct data on investment are available in most countries of the region. However, purchases of machinery and equipment and the value of industrial construction are not only linked, but account for a substantial part of fixed investment. Purchases abroad of machinery and equipment may be taken as an indication of the trend in productive capital formation, except for Japan, which produces the bulk of the investment goods it uses. In India, where domestic production may supply over a third of investment requirements, it appears that the import figures taken alone overstate the decline in the last two years.

Exports of capital goods from principal industrial countries to ECAFE countries are shown in table 6 at constant 1950 prices. In 1949 these exports were already well above the rather low 1938 level[1] for at least eight countries (Cambodia, Ceylon, India, Indonesia, Laos, Malaya, the Philippines, and Viet-Nam). This high level of capital exports to this region is to be accounted for by the increase in foreign exchange earnings in 1948 and the considerable easing of the supply position which permitted a number of countries to put in hand some of the reconstruction projects that had perforce been postponed until then. The decline which occurred in the case of India in 1950 an be attributed to a domestic recession that started 1949, while the same phenomenon in the Philippines 'as due to a severe balance of payments crisis. A rapid xpansion, however, took place in 1951 in the countries f the region as the effects of rising prices for their xports at the end of 1950 were translated into a higher emand for capital goods.

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[1] 1938 was a year of trade recession and falling commodity prices, and in 1938 imports of capital goods were far lower than they had been in 1928. See *A study of trade between Asia and Europe*, United Nations, 1953.

Data for 1952 and 1953 are less reliable because hey are based on the statistics of a smaller number of xporting countries and the exclusion of Germany, which 'as expanding its exports at a fairly rapid rate, may ntroduce a downward bias. The data indicate that the hanges in the volume of equipment imports were far maller in 1952 than in previous years. A substantial lecline took place in India where a decline in private nvestment more than offset the effect on equipment mports of the increase in government investment. On he other hand, increases in imports continued in 'hailand and Burma, where they were supported by the ontinued prosperity of the economy, as well as in a umber of countries such as Pakistan, Indonesia and Ceylon, where export earnings were already declining apidly but where imports of equipment continued at high level as orders placed in the previous year were delivered[1] and new orders arose from both the government and private sectors under the stimulus of inflationary conditions.

The effect of the recession became more widespread in the first half of 1953, imports of capital goods continuing to decline in India, and beginning to fall in all countries except Thailand and Burma, where exports and incomes were still rising, and the Philippines.[2]

In Japan (which is not included in table 6) investment rose continuously after 1950. In 1951 gross investment was a little higher in real terms than before the war, amounting to nearly 30 per cent of gross national product. But this extremely high rate was due to the exceptional need for rebuilding stocks in a period when idle capacity was rapidly being put back into operation. Investment in durable equipment which is more relevant to development, continued to rise in 1952, when inventory accumulation was slower and total gross

TABLE 6

EXPORT OF CAPITAL GOODS FROM PRINCIPAL COUNTRIES[a] TO SELECTED ECAFE COUNTRIES

Million dollars at 1950 prices[b]

Export to	From countries of	1938	1949	1950	1951	1952	1953[c]
urma	First group	12.3	9.9	9.5	13.1	..	..
	Second group	..	..	*6.9*	12.6	16.7	21.6
ambodia, Laos and Viet-Nam	First group	13.1	33.8	29.4	48.5	..	..
	Second group	..	..	*4.3*	13.3	21.7	23.7
eylon	First group	11.9	28.4	27.7	36.0	..	..
	Second group	..	..	*23.8*	30.2	32.9	29.6
ndia	First group	209.1	394.0	304.4	315.7	..	..
	Second group	..	..	*266.1*	256.6	224.8	210.0
ndonesia	First group	117.2	130.2	81.3	127.5	..	..
	Second group	..	..	*36.9*	65.6	75.2	50.0
Malaya	First group	49.4	72.7	79.7	132.7	..	..
	Second group	..	..	*66.2*	102.8	100.7	91.0
Pakistan	First group	..	71.3	91.2	104.8	..	..
	Second group	..	..	*72.9*	75.9	88.6	53.0
Philippines	First group	55.8	121.4	82.1	86.4	..	..
	Second group	..	..	*67.7*	67.3	71.6	91.7
Thailand	First group	26.1	20.0	35.9	50.2	..	..
	Second group	..	..	*24.0*	34.8	47.1	51.1
Total of above countries	First group	494.9	881.7	741.2	914.9	..	..
	Second group	..	..	569.4	659.1	679.3	621.7

Source: Economic Commission for Europe for first group of countries and trade returns of the United Kingdom, United States and Japan for second group of countries.

a. First group of countries comprising the United Kingdom, the United States, Japan, France, Germany, Netherlands, Belgium, Italy, Sweden, Switzerland, Norway and Denmark; second group of countries comprising the United Kingdom, the United States and Japan.

Capital goods included in the first group comprise iron and steel and manufactures, machinery and parts, transport equipment and cement. The coverage of capital goods in the case of Italy and Norway is only partial.

The coverage of the second group is as follows: United Kingdom and United States of America: Metals and metal manufaactures, electrical goods and apparatus, machinery and parts there and vehicles; Japan: Electrical machinery and communications equipment, transportation equipment and other machinery.

b. At January-June 1950 prices for the second group of countries.

c. First half at annual rate.

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[1] Delivery delays increased considerably in the boom. The time lags are however minimised in table 6 since data are taken from the statistics of the exporting countries and thus anticipate the actual deliveries.

[2] The data for Cambodia, Loas and Viet-Nam, which indicate a continued rise, are particularly unreliable since they exclude France which was the main source of supply. The increase that appears in the figures may thus reflect no more than a shift from France to the United States as a cource of supply.

investment thus reduced. The incentive to expand industrial capacity was provided by a rapid increase in domestic consumption, which more than offset the effects of weakness in the export markets.

The findings based on the imports of capital goods are not entirely confirmed by the data on cement supply presented in Table 7. However, the discrepancies relate to three countries only—India, Pakistan and the Philippines. In the cases of India and Pakistan, cement production continued to expand in 1953 while imports of capital goods were declining, a divergence of trends apparently due to an increase in public works consuming large quantities of cement, and a decrease in private investment, which uses a higher proportion of machinery and equipment.

The decline in the volume of private investment in India is however a matter of some surprise since a large proportion of investment is directed to the satisfaction of the needs of the domestic markets and a high level of industrial production and consumption prevailed during 1952 and the first half of 1953. While the tighter credit policy of the Reserve Bank was a probable contributory cause, the main reason for the decline may lie in a lack of confidence in the earning prospects of industry and a bearish attitude of the business community that caused Indian wholesale prices to fall far more steeply than in almost any other country.

In the case of the Philippines private investment has shown a considerable response to the protection afforded by import controls introduced in 1949, and a rapid increase has taken place in industries manufacturing light consumer goods. After a sharp fall in 1950, private investment seems to have remained steady around the 1950 level—possibly because the Philippines has not been much affected by the export fluctuations, but registered a sharp increase in the first half of 1953. The case of Burma, where estimates exist for the year ended in September 1953, is a special one both because investment, government and private, had fallen to a very low level at the peak of the insurgency in 1948-49 and was still in the process of recovery, and because the continued expansion in income and exports maintained the level of private capital formation, mostly in residential construction. Nevertheless private investment is expected to level off in 1953 as government capital formation continues its rapid rise; in 1953 the government share in total investment is expected to amount to 45 per cent while in 1954 it is planned to account for more than half the total.

Another case of interest is Hong Kong, where government investment is increasing slowly and has been outstripped in growth by private investment. Declining entrepot trade prospects have apparently turned the energies of the business community towards manufacturing, for productive facilities have increased substantially. This movement is remarkable since it occurred without the benefit of any protection, and manufacturing has to depend almost exclusively on imported raw materials.

The general downward trend of investment in the other countries of the region is explicable in terms of its relations with foreign trade and allied activities, the decline in commodity prices and export earnings, thus adversely affecting private capital formation.

Nature of government investment

Government expenditure for economic development is growing in importance in almost all countries of the region. Its distribution in a number of countries is shown in table 8. Development expenditure includes both investment and certain current expenditures, some of which are directly geared to increasing output—as for instance, agricultural extension services—and some of which are not.

TABLE 7

ECAFE COUNTRIES: SUPPLY OF CEMENT

Thousand tons

	1948	1949	1950	1951	1952	1953[a]
China (P-E Taiwan only)	236[b]	291[b]	328	338	435	460
Hong Kong (P + I — E)	53[b]	58	70	79	179	141
India (P)	1,578	2,136	2,654	3,247	3,594	3,720
Malaya (I — E)	162	155	162	301	405	312
Pakistan (P + I)	329[b]	428[b]	421[b]	575	635	635[c]
Philippines (P + I)	120[b]	210[b]	367	327	317[b]	296[c]
Thailand (P)	83	127	165	228	247	268
Viet-Nam (P)	97	154	144	212	223	284

Sources: United Nations Statistical Office and national statistical offices.

GENERAL NOTES: Supply is equal to production (P) plus imports (I) less exports (E).

a. Jan-Sep at annual rate.
b. Production only.
c. Jan-Jun at annual rate.

In Cambodia, Malaya and North Borneo, social apital is the largest single category of expenditure. It ncludes some current expenditure on education, health nd resettlement[1] as well as investment in housing and water supply. Expenditure for agricultural development, ogether with a substantial outlay on multiple-purpose rojects which, as a rule, provide for irrigation as well s additional power supply, is high in Ceylon, India and Pakistan. In all three countries increased agricultural utput appears to be the quickest means of lessening r removing structural balance of payments disequilibria. Also, apart from its value for social progress, agricul-ural development promises substantial income growth or a given outlay of resources. The emphasis, at present on agriculture, may of course shift in time; in he case of India, for instance, the present plan limits he expansion of industrial capacity to a few sectors of particular importance, while it is quite likely that advances on a broader front may be proposed when the urrent plan is completed.

Transport is emphasized in Burma as a basic necessity for reconstruction and the improvement of security, and in India where the repair and extension of the transport system appears necessary in order to ay the basis for long-term growth.[2]

Governments have generally preferred to invest in projects related to agriculture rather than to industry, and this apparently reflects a belief that investment in agriculture offers the better prospects of substantial progress, at least in the present phase of development. Indeed, only in Pakistan and Indonesia are the governments devoting substantial shares of resources to manufacturing, and in Indonesia the allocation of resources to industrialization rather than to the rehabilitation of export agriculture represents a hazardous choice in view of the immediacy of balance of payment difficulties.

In Thailand, among the countries for which the distribution of government development expenditure is not available, it appears that the government devotes a major proportion of its investment to irrigation works and the transport system while also erecting a certain number of industrial plants. In the Philippines, the bulk of government investment appears to be devoted chiefly to communication and multi-purpose projects, but also in part to important industrial projects in fertilizers, steel and electrical equipment.

In Japan, the bulk investment carried out by the government goes into irrigation and other schemes connected with agriculture, while government loans which indirectly form a substantial part of government investment are made mainly to the coal, power, steel and ship-building industries. In mainland China, it appears that gross expenditure on industry accounted for about 45 per cent of expenditure on national economic reconstruction, other construction for about 24 per cent and agriculture and water conservancy for about 9 per cent. The exact content of these expenditures is unknown.

Although, with the exceptions noted above, only a relatively small percentage of public developmental expenditure goes into industry, governments do play a significant role in the manufacturing sector. Government enterprises exist everywhere and are usually of some importance, except perhaps in Malaya and Hong Kong. Nevertheless most governments of the region, despite the greatly enhanced importance of their development expenditure on development, appear to adhere to the traditional view that the public authorities should be responsible for the basic economic facilities such as power and transport and should provide assistance and

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[1] Resettlement is included only in India and Malaya.

[2] The same is true of both Nepal and North Borneo where the development of adequate communications is a pre-requisite for the opening up of the country.

TABLE 8

ECAFE COUNTRIES: PERCENTAGE DISTRIBUTION OF PUBLIC EXPENDITURE ON DEVELOPMENT

	Agriculture, forestry and fisheries	Multi-purpose projects	Transport and communications	Fuel and power	Mining	Industry and research	Social capital	Average annual total expenditure (in millions)
Burma, 1953/54 (kyats)	11.4	..[a]	43.8	9.0	2.3	7.0	26.5	442.9
Cambodia, 1951-1953 (piastres)	5.0	..	4.8	..	..	3.7	86.4	346.5
Ceylon, 1951/52-1953/54 (Ceylon rupees)	25.7	13.9	24.2	6.0	..	9.5	20.7	361.4
India, 1951/52-1953/54 (Indian rupees)	20.9	12.2	32.4	7.2	—	4.8	22.5	3,623.5
Indonesia, 1951/52-1953/54 (rupiah)	11.9	..	15.6	2.6	0.2	39.4	30.3	1,519.2
Malaya, 1951-1953 (Malayan dollars)	4.4	..	22.1	20.0	0.2	0.1	52.7	240.5
Sarawak (1951/52-1953/54) and North Borneo (1951/52-1953/54) (Malayan dollars)	9.5	..	39.7	3.2	—	6.8	40.7	24.2
Nepal, 1951/52-1953/54 (Indian rupees)	29.3	17.6[b]	34.5	6.1	—	—	12.4	16.4
Pakistan, 1951/52-1953/54 (Pakistan rupees)	29.7	7.9	14.3	5.0	..	36.0	7.1	418.4

Sources: Economic Survey of Burma, 1935; Consultative Committee for Co-operative Economic Development in South and South-East Asia, *Second Annual Report, 1953,* New Delhi.

a. Some of them are classified by the government under irrigation, which is part of agriculture, and some under power.

b. Consists of aerial survey and village development.

incentives to private business, but should step directly into the industrial field only where the scale of the enterprise, or its technical difficulties, or the lack of immediate earning prospects, would discourage private investment. Such a policy has much to commend it provided that the business community is responsive to the incentives provided by government. Government enterprise, to be efficient, must perforce be concentrated in a relatively small number of large units which by their very nature will tend to be capital intensive, while active local initiative is better fitted to starting up small-scale and diversified enterprises requiring little capital and offering good prospects for rapid and widespread growth in capital-poor countries.

There is abundant evidence—in India for example—that government aid can promote enterprise if it is applied with sufficient vigour. However, as was pointed out above, private investment has in the past been generally tied to the production or processing of export commodities and there has been little interest in manufacturing for the domestic market. That this attitude persists in some countries is confirmed by events in Pakistan and Indonesia, where there has been little response to a monetary situation and a system of import restrictions that appeared to promise ready markets to enterprising firms. Most new plants established in these countries in recent years have been either directly government owned or at least established on government initiative and with considerable government financial participation. Only in Japan and in Hong Kong does private business appear fully and immediately capable of developing the economy by its own resources and on its own initiative. Thus, despite the limits to the fields for which large-scale government enterprises are suitable, governments deciding to shift the emphasis of development to the manufacturing sector may at first have to carry the main burden themselves.

The experience of Japan suggests, however, that such a situation need not be a permanent one. In that country almost all the initiatives that led to industrialization came from the public sector and the early stages of development, in the two decades after 1869, witnessed the creation by the government of a large number of manufacturing, commercial and financial concerns. In the next phase in the late 80's and early 90's the government found that it could hand over to private enterprise the plants it had erected: at this stage private businessmen were able to operate them successfully when subsidised by the government.[1] After the middle 90's, the private sector had acquired strength and dynamism, and the government was able to abandon its subsidy policy and instead to start levying taxes on the rapidly growing business community.[2]

INVESTMENT POLICIES

The previous chapter has shown that a number of countries in the region are facing a decline in government revenue due to the lower level of incomes and foreign earnings. The main exceptions are Japan, the food exporting countries, namely Thailand and Burma, and Ceylon, in which country the substantial increase in certain tax rates should result in a small increase in revenue. More significantly, a greater number of countries are budgeting for an increased deficit. Pakistan, although decreasing its expenditure, is expecting an even greater fall in revenue and will thus show a larger deficit than in 1952/53.[3] Ceylon, Indonesia and the Philippines, on the other hand, are proposing to cut their deficits through a severe curtailment of expenditure. The decreases in expenditure in these four countries will affect government investment in varying degrees. At one extreme stand Pakistan and Ceylon, where none of the burden of the cut will fall on capital expenditure; indeed investment outlays are due to increase. At the other extreme stands the Philippines, where almost the whole of the cut in government expenditure will fall on investment outlays. In between stands Indonesia, where investment will share in the general and drastic cut in government expenditure.

This brief enumeration is enough to show that the problem of finding resources for investment is generally acute. The policies tried in different countries to meet this situation can be classified under two broad headings: the one covers attempts to finance investment without creating any inflationary pressures in the economy and the other covers use in varying degrees of measures of finance which may prove inflationary. The line between the two is, of course, not clear-cut, and the most crucial problems may well arise in determining the limits of tolerable inflation and in devising effective measures to deal with it.

Under present circumstances, balance in the budget would require higher tax rates, or cuts in other expenditure, if investment outlays are to be increased or even maintained. Attempts to prune various items are being made in a number of countries in the area, the most impressive of which are the 30 per cent reduction in total expenditure in Indonesia and the abolition of food subsidies in Ceylon. Taxes have been increased in the case of Ceylon and the Philippines. However, only mainland China appears to be prepared to finance a large-scale development programme on the basis of a balanced budget, but its economic and political institutions are so different that its experience cannot be readily applied elsewhere in the region. Tax revenue and profits from government enterprises in mainland China, which include a considerable proportion of ndirect taxation, have shown an impressive rise over he last few years. In 1953, government receipts were cheduled to be more than three times as high as they ad been in 1950. Since prices have shown no signiant rise over the period, this increase, far more rapid han in national income, has enabled the government o finance outlays on economic reconstruction at a apidly mounting rate. Even in this case, however, the olicy of balancing the budget through government evenue is not being fully carried out and in 1953 alancing the budget will require borrowing as well as he use of the carry-over from previous year's surpluses. uch a policy avoids the problems of inflation but equires an apparatus of controls which may be ndesirable, or even unattainable, in other countries of he region. And without such controls inflation may rise as well from an attempt to impose unacceptable axation as from the creation of credit to meet a budget eficit.

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[1] The subsidy often took the form of a transfer of the factory to private hands for a purely nominal price.

[2] See "Subsidy and tax policies for development of industries in Japan", ECAFE/I&T/FED/8. It may be worth noting that in Taiwan, China, the government has sold to private concerns a certain number of its enterprises.

[3] The deficit is partly to be met from profits from State trading, that is, in effect by the liquidation of previously accumulated stocks of jute and cotton, which of course decrease its inflationary impact.

Moreover, the development of a suitable tax nechanism is normally a lengthy and costly process, nd it is noteworthy that in Indonesia, for instance, ittle success has so far attended efforts to replace the arlier land tax by a progressive system of taxation on ural incomes. In chapter 3 attention has already been rawn to the undesirable consequences of heavy and nsuitable taxation. Too heavy taxation of the business ommunity, for example, may stifle private enterprise ven as it provides funds for development in the public ector.

Borrowing from the public is a non-inflationary neans of financing economic development, but use of his device depends upon the willingness and ability f the population to absorb government bonds. So far his method of financing has been significant only in apan and India, which possess capital markets more eveloped than those of other countries of the region. n Japan, however, funds obtained in this way have een used essentially to make loans to private concerns, nd in this case the government is doing little more han supplement the capital market by channelling private avings to desirable forms of private capital formation. In India, the success which has this year attended the ale of government and state bonds has exceeded expectaions and the proceeds have financed a not inconsiderble proportion of the public deficit. Such a method f finance is wholly advantageous when private investnent fails to absorb private savings, but would be both ess successful and less desirable were public confidence n the earning prospects of industry greater and private nterprises prepared to absorb available savings. In the ase of India, it is clear that in addition to buying overnment bonds, the private sector also hoarded savings nd so offset part of the budget deficit that was financed y withdrawals from reserves. Thus it was not even ecessary for the government to borrow these savings. The tight monetary policy pursued in India is no doubt partly responsible both for the ease with which the government succeeded in borrowing and for the lack of alternative outlets for private savings.

Should inflation threaten, the existence of foreign reserves or foreign loans may permit the absorption through imports of inflationary pressures. Foreign borrowing and some drawing down of sterling balances have been a notable feature of the the Indian Five-Year Plan, while in Burma a rapid accumulation of foreign reserves over the last few years should enable the government to sustain substantial deficits for a few years without creating any serious inflation problems.

A third case of expansionary finance is provided by Japan, where borrowing by the private sector rather than the government has financed the high level of investment of the last few years. So far, the existence of considerable unused capacity in the consumer goods industries has permited an expansion of production capable of satisfying the bulk of the increased demand generated by the process of capital formation, although not without some sharp price rises. Now that existing capacity is more fully utilized it seems that an increased proportion of consumer demand is being directed to imports and the high rate of investment, if continued, may result less in output expansion and more in rising prices or balance of payments difficulties.

In most countries of the region, however, conditions are such that large-scale government deficits will almost certainly lead to inflation. With the exception of India and Japan where the development of banking and the capital market may make it possible to control effectively total private expenditure through appropriate monetary policies, government deficits have automatically tended to create monetary disequilibrium owing to the low level of private savings, and additional incomes that could not be absorbed through an expansion of consumer goods production have led to substantial import surpluses. One of the main problems of the countries that wish to pursue an active development policy will therefore be to guard against serious balance of payments difficulties, and increases in domestic prices caused by shortage of goods in relation to effective demand.

Measures of taxation are also appropriate means for controlling changes in the level of effective demand induced by government spending. They are frequently supplemented, but can hardly be replaced by measures of import and price control, and rationing. Yet the previous chapter has underlined the unsuitability of the tax structure in most countries of the region for such a purpose. Nor are these tax structures well adapted to raising funds for development. They largely fall on foreign trade, and neither import duties nor export taxes can be expected to yield greatly increased revenues in normal conditions, crucial though their role may be when the expansionary force is a rise in foreign demand for exportable goods.

In the early stages of Japanese development the pattern of taxation was quite different. Land tax provided more than half the total revenue[1] and thus industrialization was largely financed through savings imposed upon agriculture. It was only later after considerable industrial development that funds started flowing from industry to agriculture.

A somewhat similar pattern seems to be emerging in mainland China today, where a progressive tax on agricultural output is an important factor in government revenue. According to an official statement,[2] agricultural taxes accounted for 26 per cent of total tax revenue in 1952 and 22 per cent in 1953.[3] By comparison, in 1952/53 the land tax in India (which was levied essentially by the states) accounted for 9.3 per cent of the combined tax revenue of the central government and the states.

However, it is not to be supposed that a mere increase in agricultural taxation without regard to other factors would be a satisfactory method of raising funds for development, even though the agriculural sector may be their major source. Matters of equity, of incentive, of subsidy policy and of control would all require to be taken into account. Moreover, it appears that governments require a more extended tax system, capable of absorbing large parts of the increment of purchasing power generated by development expenditure. Without such a tax system it is unlikely that any country in the region could continue for long a policy of inflationary finance without balance of payments difficulties. In fact, the level of foreign reserves in most countries is such that the balance of payments might prove to be the main limitation to a programme of rapid expansion, and it is notable that recent cuts in expenditure in Indonesia, Ceylon and Pakistan were motivated in the last analysis by balance of payments considerations. Also, development will require an increased volume of capital goods and raw materials imports, and unless export earnings rise again, measures may be needed to change the existing relationship between incomes and imports.

Export promotion might play a substantial role in the case of Japan and the Philippines, as could also a restoration of some of Indonesia's former export industries. Countries of the region generally will have to rely on their traditional exports in the next few years for the bulk of their foreign exchange earnings, and here the rise in production costs may create serious difficulties at current export prices and exchange rates. In Ceylon, for instance, the wholesale price of tea, the principal export commodity, is now a little lower than before the outbreak of the Korean war, while money wages of workers on tea estates have risen by 30 per cent with no appreciable change in productivity. A similar situation exists in Indonesia, where high labour costs have been an important contribuory factor to the decline of such exports as tea and sugar. Price declines in the first half of 1953 had raised similar problems for many rubber producers in the region.[4] Thus the main export promotion task may be one of restoring the profitability of the major export industries, and the existence of inflationary pressures, attended by open or disguised wage increases, may make it particularly difficult to achieve.

In Japan, also, high export prices are reported to be a serious impediment to the much needed expansion of exports. Wage rates and labour productivity appear to have risen almost equally over the last few years, at least in some of the large scale industries, and there may be room for reduction in prices and profit margins together, although it is of course impossible to know over how wide a range of commodities this type of price reduction may be sufficient to restore Japan's competitive position.

Most countries of the region operate some kind of import or exchange restrictions of varying severity, and the trend has been towards a reinforcement of such controls, as shown by the recent cancellation of open general licences for some goods in India and the imposition of quantitive restrictions on a number of consumer goods in Thailand. However, while the example of sterling area countries has shown that the control of imports from certain sources can be carried out successfully when similar goods can be obtained elsewhere, restrictions on imports from all sources at the same time may carry with them the danger of rapidly rising prices and open inflation. A distincion may be made here between quantitative import controls and the systems of import taxes or surcharge through multiple exchange rates that have been practised in the Philippines, Indonesia and Thailand. While quantitative restrictions offer to the governments the advantage of fixing a precise limit to the volume of permitted imports, they do nothing to absorb domestic purchasing power and thus may lead to a more acute shortage of goods than the various systems of import taxes; these, though they may be less satisfactory from a balance of payments point of view, effectively decrease the pressure on available upplies. The experience of Pakistan shows that quantiative restrictions tend to react on the domestic price evel as much or more than the more predictable import axes. In that country an extensive sytem of price ontrols had to be established to prevent a spiral of rices and wages, and the outcome of the situation of epressed inflation will depend on the solution of mountng administrative problems, or on a return to a closer alance between resources available and the expenditures f both government and public.

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[1] In 1873, 93 per cent; in 1895, 52 per cent. By 1935 the proportion was less than 1 per cent.

[2] Finance Minister Po I-Po, *Report on the 1953 State Budget*, in speech delivered at the Central People's Government Administration Council; 12, February 1953.

[3] The exact significance of this figure cannot be ascertained precisely, since it is not known at what prices agricultural deliveries in kind are reckoned when assessing the burden of direct taxes carried by agriculture. In 1952 local surtaxes were abolished. However, the local authorities may still collect funds from the farmers "provided that this contribution is voluntary and amounts to less than 7 per cent of the agricultural tax" (quoted from Li Cheng-jui, Deputy Director of Agricultural Tax in the Ministry of Finance, *People's China*, 16 April 1953).

[4] The rubber industry in Ceylon has, however, been protected so far against these price falls through a long term agreement with mainland China.

Indeed, it appears that severe import restrictions in ountries of the region will prove tolerable only where hey lead eventually to a lasting change in the relationship between incomes and the level of imports. An xample of such a policy is afforded by Japan, where omestically produced materials and equipment have now replaced imports on a substantial scale; although ndustrial production is 50 per cent higher than before he war, and the national income 24 per cent higher, the volume of imports was in 1953 only 70 per cent of the 1934-36 level. This policy is still being pursued and a onsiderable lessening of the dependency on imports is expected from a shift in the textile industry from the use of cotton to that of domestically produced synthetic fibres. A similar change is one of the objectives of India's Five-Year Plan where the emphasis on agriculture aims less at increasing exports than at making the country more nearly self-sufficient in grain and in raw cotton. The fostering of the cotton textile industry in Pakistan and China (Taiwan only) falls in the same category. However, import replacement appears, from some unsuccessful experiments carried out in Indonesia and Ceylon, considerably more difficult to achieve in the field of manufactures, where problems of prices, quality and consumer preference loom large.

A partial solution to balance of payments problems may be found through the import of foreign capital and a number of countries in the region have relied heavily on this source in order to balance their accounts. Net private capital movements since the war have been generally outward, owing partly to the sale by foreigners of their assets to indigenous companies; nevertheless private foreign investors have an important role to play, less perhaps through the amounts of foreign exchange made available than by the experience of technical processes which they can supply. Private foreign capital has recently made a number of important contributions in the form of joint undertakings and more noteworthy still, it has to some extent severed its traditional ties with the export industries: some of the large ventures in which foreign enterprise has played a decisive role in recent years, as for instance the new petroleum refineries in India, largely work for the domestic market.

Withdrawals from previously accumulated sterling reserves and United States aid have been the most significant forms of official financing. Military aid to countries in Asia rose from $282 million in 1951/52 to $785 million in the fiscal year ended in June 1953. Such assistance, however, makes a contribution only to the extent that the expenditure thus financed would in any event have taken place. Of greater interest is economic assistance, amounting to $400 million in 1952/53 as against $620 million in the previous year. The main recipients were the Republic of Korea, China (Taiwan only), India and Pakistan. India had already benefited substantially from a large wheat loan, while the continuing American programme is making a substantial contribution to agricultural development. Apart from this case and the large Import-Export Bank loan to Indonesia, United States economic assistance has been directed essentially to the rehabilitation of war-torn economies or to meeting emergencies such as the food crisis in India and Pakistan.

Of lesser importance have been loans from the International Bank,—disbursements to India, Pakistan and Thailand amounting to $35 million over 1952 and the first ten months of 1953.

Thus foreign capital has played a crucial role in some developments of the last few years, and foreign aid has met emergencies totally beyond domestic resources. But, as the governments of the region fully appreciate, such finance may be an aid to development rather than a base for it. Since however balance of payments difficulties often are the key factor limiting the rate of development, even a relatively small amount of foreign capital may permit the investment of substantially greater domestic resources.

CONCLUSION

In a number of countries budget deficits are appearing, or growing, as additional funds are used for basic development essential to the increase of national output and higher productivity. The ability to sustain such deficits will depend partly upon foreign currency earnings or reserves, and partly upon the size of other demands on available resources. In some countries at any rate the private sector is not making demands upon savings which might be expected in view of the level of government spending and internal demand. While this now permits governments to continue with rather larger development programmes than would otherwise be possible without serious threat of inflation, it cannot be taken as an entirely helpful factor in view of the general need for diversification of production.

Moreover, with the rapid fall in export earnings in the last two years, several countries are running close to the borderline at which balance of payments deficits will lead to serious difficulties. Indeed, owing to some over-hang of purchasing power still remaining from the period of the boom, the situation may sometimes be worse than it was in 1950 and in few cases is certainly better.

While the pre-occupation of governments with economic development is more pronounced than it was four years ago, the means to control potentially inflationary situations brought about by public expenditure are hardly more effective. On the one hand, the factors that might mitigate the impact of inflation such as reserve capacity in the consumer goods industries, or the substantial foreign reserves, are for the most part entirely lacking or insufficient. On the other hand, except in Japan, the administrative arrangements required for the internal control of inflationary pressures may prove inadequate; neither an efficient apparatus of controls nor a taxation system capable of taking up automatically substantial parts of increments in incomes without causing major changes in the price structure can soon be provided even though a beginning is now being made.

While a certain measure of inflation may be necessary to accelerate the process of development, the preceding analysis has stressed the dangers to which an excessive rate of inflation may expose economies in the region. That steps to restrict spending in the private sector should accompany the measures of deficit financing undertaken in a number of countries, reflects the awareness of governments of the potential conflict between the objectives of rapid economic growth, and of monetary stability and balance of payments equilibrium.

The period of comparative stability which many countries have enjoyed in the later part of 1953 has marked the abatement of disturbances arising from the Korean boom, and the return to more normal conditions in which the relative claims of rapid growth and of monetary stability can be assessed with greater confidence. But the level of resources available is no more important than the uses to which they are put, and in the present stringency, their wise allocation is more than ever necessary to maintain present rates of economic growth.

Part II

COUNTRY SURVEY

Chapter 5.

BURMA

INTRODUCTION

The insurrection of 1948 dealt a severe blow to prouction, which had been well on the way to recovery. Nevertheless, the rising trend of output, and especially f agricultural output, was resumed in 1950/51, and by 952/53 the pre-insurrection peak had been comfortably xceeded even though pre-war levels had not been egained. Moreover, the economy supported a gross omestic investment in relation to income much larger han before the war, even while substantial additions to oreign exchange reserves were being made.

Improvements in the terms of trade, budget surluses, and the stability of private incomes have all ontributed to the positive balance of payments, which ontinued to grow even after the Korean war boom ollapsed, because rice export prices were rising while he prices of imported consumer goods declined.

The State marketing of rice stabilized domestic ncomes and prevented inflationary rises in domestic rices, so that the principal task—that of restoring roductive capacity in the country—has been free of nflationary complications.

PRODUCTION

The war, and then the insurrection of 1948-49, isrupted all sectors of the economy, especially mining, where activities were brought nearly to a standstill. The olume of agricultural production in 1949/50 was about 5 per cent of its pre-war level whereas mineral producion in 1950 amounted to a mere 7 per cent.

Since 1950/51, with order restored, good progress as been made in recovery, and in 1952/53 production ose to a post-war peak, agricultural production reaching 1 per cent, and mining about 12 per cent of pre-war.

Investment in plant and equipment, by the government directly and by private undertakings encouraged by he government, made a substantial contribution to the ise in output. The progress made with community development schemes in 1952/53 also contributed to the ising trend of production. Government grants for these chemes were about K.10 million in 1952/53 while private contributions almost equalled this sum. The impetus to production that these schemes provided is much more significant than would appear from the relatively modest sums involved.

Agriculture, forestry and mining

Agriculture: Production of most agricultural crops in recent years has increased from the low level of 1949/50. Although agricultural production in 1952/53 was 8 per cent above that of 1951/52, it was still 19 per cent below the average of 1936/37–1940/41. However the output of some minor crops, such as sesame, tobacco, millet and wheat, has been larger than before the war. The improved security conditions in 1952 and 1953 enabled farmers to increase the acreage under crops and to improve cultivation, thus increasing yields; yields of paddy per hectare in 1952/53 slightly exceeded the 1934/35–1938/39 average.

Government measures, including repair and improvement of irrigation works, grant of cheap credit and the offer of subsidies for bringing untilled land into cultivation, contributed to recovery in agriculture.

The government established the State Agricultural Bank in 1952/53 with a paid-up capital of K.50 million in order to improve farm credit facilities. The Agricultural and Water Resources Development Corporation was set up with an initial grant of K.10 million to plan and co-ordinate agricultural and rural development; the corporation also administers the government subsidy scheme of K.10 per acre for paddy land and K.15 per acre for groundnut land newly brought under cultivation. These subsidies, which in 1952/53 amounted to K.4.4 million for paddy land and K.15 million for groundnut land, provided an effective incentive to farmers. Paddy acreage in 1952/53 rose by about 200,000 hectares, but, at about 4 million hectares, it was still about 1 million hectares less than the pre-war annual average. With the increase in area under rice output increased by 225,000 tons in 1952/53.

The serious post-war shortage of draught cattle had disappeared by 1952 not only because cattle population increased, but also because cows were used for farmwork, a practice unknown before the war.

The main object of the government's Five-Year Agricultural Development Programme, to restore agricultural output to the pre-war level by 1956/57, is to be achieved by grant of subsidies and cheap credit and by direct investment. In 1953/54, out of a total investment programme of K.565 million the government intends K.41 million for agriculture, of which K.11 million are earmarked for irrigation. In addition to direct government investment, agriculture stands to benefit by the proposed development expenditure on power projects, on housing, and on health and education.

The diversification of agriculture is another aim of the Five-Year Agricultural Development Programme, and to this end the Coconut Development Project provides that 2 million coconut palms be planted during the next five years, 300,000 of which will be planted during 1954. Other projects worth noting are the proposed increase by 200,000 acres of the area under cotton by 1956/57 and improvement of the quality of cotton, the establishment of the first government cotton seed farm for long staple cotton, and the scheme for the expansion of jute production. The jute project envisaged an area of 10,000 acres under jute by 1952/53 but the target had to be reduced to 4,200 acres, owing to seed shortage.

Forestry: In pre-war years, forestry production including saw-mill operation and the marketing of timber, formed about 9 per cent of gross domestic product, and exports of forest products accounted for about 7 per cent of total export value. Recovery after liberation was satisfactory, but the insurrection disrupted forest operations, and output fell (expressed in terms of constant 1947/48 prices) from K.273 million in 1947/48 to K.202 million in 1948/49. Recovery of production during the last three years, especially of log extraction, has been slow, because of the disturbances in the forest areas. Nevertheless the output of some important forest products such as firewood, bamboo, cane, thatch, and lac was less affected by internal insecurity.

Petroleum: Crude oil and petroleum products accounted for 21 per cent of total pre-war export value. Not only have exports ceased but the post-war output has fallen short even of domestic requirements, and imports in 1952[1] accounted for about 50 per cent of domestic consumption. The rehabilitation of the Syriam refinery near Rangoon was held up by the destruction of the pipe-line, first during the war, and again by the insurgents. The Burma Oil Company has therefore erected a refinery at Chauk, near the oil-field, which in 1952 processed about 25 million gallons of crude oil. A second refinery at Chauk is nearly completed, and will increase the capacity of the oil industry to over 60 million gallons of crude oil annually, about equal to domestic requirements.

In 1952/53 the government proposed a joint v
with the oil industry. Negotiations were, howeve
up pending a Supreme Court decision regardi
validity of the proposed procedure. The Supreme C
ruling has been favourable and negotiations are
to be resumed.

Metal ore: Metal ore exports, which accounte
12 per cent of the total value of exports before the
fell in 1951/52, and accounted for only 5.5 per ce
total export value. The repercussions of the insurr
on the mining industry were severe. The tin
wolfram mines in the Mawchi[2] area are still in the l
of the insurgents, but military action begun in 19
clear the area, is progressing satisfactorily. Th
and wolfram mining areas in Tennasserim are no
completely free of insurgents. On the other hand
joint effort of the government and the Burma Corp
tion to restore the Bawdwin mines[3] in the Nort
Shan States is proceeding satisfactorily. In the
quarter of 1953, the extraction of ore from the Bawd
mine, at 10,000 tons, was larger than the combined
of the two preceding quarters. Production in 1953
be expected to show a solid improvement generally.

Transport and industry

Transport: Reconstruction of transport facilities
well under way when the uprising in 1948 cause
reversal of the trend. The volume of freight carried
the railways and the inland waterways declined by m
than half in 1948/49. In the following years, the wa
ways recovered more rapidly than the railways as t
were less vulnerable to attack. The government
made strenuous efforts to restore transport facilit
Capital expenditure of the Union of Burma Airw
the Burma Railways and the Inland Water Transp
Board amounted to K.41 million in 1951/52 and K
million in 1952/53[4] provision for capital expenditure
1953/54 amounts to K.68 million. The bulk of
K.32 million of capital expenditure in 1952/53 by
railways was for fixed equipment such as bridges, bu
ings, and rails. Progress made with the repair
extension of tracks, construction and repair of sheds
was satisfactory.

Of the K.13 million allocated to inland w
transport for capital outlay in 1952/53, about one th
was earmarked for purchase of vessels abroad.
Union of Burma Shipping Board was established
June 1952 to operate coastal and international shipp
for the government. The original allocation to the bo
of K.9 million in the 1952/53 budget for the purch
of ships was increased to K.14 million in the revi
estimates. Good progress has been made in 1953 v

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[1] In the early post-war years imports accounted for a much larger proportion of domestic requirements.

[2] Pre-war production of ore concentrates from this area aver
more than 5,000 tons annually, i.e. about a third of the total
duction.

[3] Before the war, these mines were responsible for the total Bur
production of copper, lead and zinc ores.

[4] Revised estimates.

he repair of the port of Rangoon; according to the evised estimates, capital expenditure during 1952/53 mounted to K.2.7 million.

ndustry: Burma's few industrial establishments were early all destroyed during the war. The partial rehabiliation of the rice, timber and vegetable oil mills in the arlier post-war years, and the fact that they were not nuch affected by the insurrection, enabled these indusries to process the increased output of agriculture and orestry in 1952 and 1953. In *rice milling*, effective apacity has been increased by lengthening the rice nilling season;[1] in the long run, however, it will be ecessary to extend the equipment of the processing ndustries to keep up with the increasing output of griculture and forestry.

Complete statistical information on the other private ndustries is not available, but there are indications that ome progress is being made with rehabilitation, after he havoc wrought by the insurrection. Production of *ugar* increased from 5,000 tons in 1950/51 to 15,000 ons in 1951/52 and output in 1952/53 is estimated at 8,000 tons. The *cement* works at Thayetmyo resumed vork in September 1951 but, with the increased demand or cement from the building industry, larger imports ecame necessary in 1952/53. In 1952 the *match* ndustry maintained its production at about the 1951 evel. On the whole, the supply of matchwood was atisfactory although insurgent activities kept deliveries rregular. Private industrial construction in 1952/53 ncluded a *tyre re-capping* plant and a *sulphuric acid* lant.

In post-war years, the government had many plans or erecting factories, some dating back to the Two-Year Plan of Economic Development drawn up immediately after independence had been secured. In the earlier years, lack of finance was the main limiting factor. At present it is lack of technical staff and difficulties in execution. Considerable funde have been allocated since 1951/52 for industrial projects, only a portion of which, however, was actually spent owing to mounting delays in execution, in which lack of technical staff was one factor. The only government factory which is already operating is the *cotton spinning and weaving* factory which produced 2.0 million pounds of cotton yarn in 1952. In the first nine months of 1953, production increased to an annual rate of 3.4 million pounds.

A *brick and tile* factory is under construction and it is expected that a contract for a *steel rolling mill* will be signed before the end of 1953. The capacity of the rolling mill will be 20,000 tons per year, of which 16,000 tons will be for ingots and 3,000 to 4,000 tons for re-rolled products. The mill is not expected to be ready for operation until 1956, and then at only half its rated capacity. A project for the erection of a factory to produce 15,000 tons of *salt* a year has not progressed beyond the stage of location surveys. A *jute* project is at the stage of testing the quality of jute grown in Burma. It is proposed to erect a factory to produce about 6 million bags per year, requiring about 6,000 tons of jute. The *paper and pulp* factory, which will produce 30 tons of paper daily for domestic consumption and 70 tons of pulp for export, is to be established as a joint venture with private enterprise; the government has already invited applications from both Burmese and foreign firms. The government is also planning a joint venture with the Burma Cement Company for operation of the *cement* plant at Thayetmyo. None of the other projects such as the manufacture of rubber, fertilizers, pharmaceuticals and electrical appliances is as yet beyond the planning stage. It seems very likely therefore that the 1953/54 budget allocation for the various factories will again not be spent within the year.

The government established the Industrial Development Corporation in 1952/53 and the funds allocated for the Corporation have been raised from K.25 million in 1952/53 (revised estimates)[2] to K.10 million in 1953/54.

EXTERNAL TRADE AND PAYMENTS

After showing deficits in the early post-war years, the balance of payments has shown surpluses since 1949, in spite of lower domestic production and volume of exports than before the war. In relation to pre-war, the volume of exports has fallen much more than that of imports; in 1952, exports were about a third of the pre-war level whereas imports were about two-thirds and the favourable balance of payments was principally attributable to improvements in the terms of trade. The collapse of the Korean war boom merely accentuated the favourable trend; the price of rice continued to rise while the price of imports, especially of consumer goods, began to show a downward trend. The imposition by the State Agricultural Marketing Board (SAMB) of stable internal rice prices effectively neutralized the inflationary impact of the balance of payments surpluses. The widening gap between the internal and external prices led to increased profits and to accumulation of reserves by the Board.

The pre-war structure of Burma's balance of payments remained basically unchanged, i.e. there was a surplus on trade account more than sufficient to offset deficits on non-trade items. Both import payments and export receipts showed a steady rise between 1950 and 1952, receipts, however, forging ahead at a faster rate and bringing about substantial rises in the balance on trade account. Net payments for services fell considerably in 1951 but by 1952 they had nearly regained the 1950 level. The surplus on account of goods and services (including non-monetary gold) rose from K.116 million to K.292 million and K.281 million in 1951 and 1952 respectively. The payments position during the first half of 1953 showed further improvement and the balance on account of goods and services (including non-monetary gold), at K.302 million, exceeded the surplus for the whole year of 1952 by a considerable margin. The rate of exports was slightly above the 1952 level, both in volume and value; the large surplus in payments on trade account, however, may also reflect delayed receipts in respect of the exceptionally high value of exports recorded in customs returns during the latter half of 1952. It is doubtful that the balance of payments on account of goods and services during the second half of 1953 will turn out to be as favourable as during the first half, because the price of rice was tending to sag and payments for imports were tending to rise. Even in the third quarter there was a deficit in the balance of payments of K.100 million.

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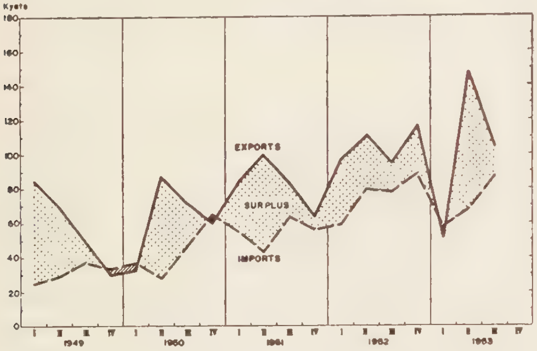
[1] Before the war, most of the rice was exported between January and March while in post-war years, owing mainly to the establishment of the State Agricultural Marketing Board, rice export, and therefore milling as well, are spread fairly evenly throughout the year.

[2] The funds allocated in the 1952/53 budget were K.10 million but in the revised estimates were reduced to K.2.5 million owing to the delay in the proper functioning of the corporation.

Chart 9

BURMA: VALUE OF IMPORTS AND EXPORTS



Exports

The contribution of rice to Burma's export income, which was a little above 40 per cent before the war, rose in post-war years to 75-80 per cent. The rise in export receipts between 1950 and 1952 was principally attributable to rising rice prices in export markets and to a lesser extent to increased volume of exports. During the first nine months of 1953 the tonnage of rice exports was about 10 per cent below the level prevailing during the corresponding period in 1952. The government-to-government price of rice during the first half of 1953 was £60 per ton, about £10 higher than during the first 10 months of 1952.[1] The private tender price of rice, on the other hand, which had risen from £70-80 per ton during the first half of 1952 to the peak figure of £100 during the second half of the year, fell back to about £75 per ton in the first half of 1953. No reduction in the official price of rice has been announced for 1953, but Burma has undertaken to supply a minimum of 200,000 tons of rice to Ceylon in 1954 at £50 per ton, and has agreed to supply up to 600,000 tons[2] if required. In the agreement signed with Japan towards the end of 1953 for the supply of 300,000 tons of rice in 1954 and 200,000 to 300,000 tons in the 3 subsequent years, the price of rice for 1954 was also fixed at £50 per ton.

The government, realizing the turn of the rice market, sent trade missions to countries in Asia, Europe, Africa and South America in the first half of 1953, to explore possibilities of expanding trade especially in rice. Rice exports in the first 10 months of 1953 were 850,000 tons, and this was 10 per cent below the level in the same period of the previous year mainly because foreign buyers were increasingly unwilling to pay the prices asked. Rice stocks in Burma towards the end of 1953 were larger than in previous year, not only because of reduced exports, but also because output in 1952/53 was 225,000 tons higher than in 1951/52. Domestic consumption hardly increased.

Exports other than rice are still at very low levels compared to pre-war; not only have the exports of petroleum not recovered, but Burma has been compelled to import petroleum, valued at about K.31 million in 1951/52 and 1952/53 or about 4 per cent of total imports.

Imports

After the outbreak of the Korean war the Burmese Government progressively relaxed import controls and allowed the free import of almost all essential goods such as textiles, cooking oils, building materials, paper, motor spare parts and various capital goods. By the middle of 1951, the items which could be imported freely covered about 42 per cent of the value of total imports; the relaxation aimed at ensuring the supply of goods which were becoming scarce in world markets, and also at lowering the cost of living. Pent-up demand caused imports in 1951 and 1952 to expand rapidly and the value of imports under open general licence increased to more than half of total imports in 1952. In textiles, however, a saturation point was reached and textile imports dropped steeply in 1951/52; the very large imports of textiles were again picking up and the total value of imports under open general licence accounted for about two-thirds of imports in the first half of 1953.

In the second half of 1953 imports are likely to be larger than in the first half, partly owing to the expected delivery of a considerable volume of capital goods on order for the government[3] partly owing to increased commercial orders in response to rising incomes, and to the speculative buying in anticipation of the increased ariff charges in October 1953; letters of credit opened vith banks in Rangoon increased by 38 per cent between he first and second quarters of 1953.

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[1] The government-to-government price of rice was raised from £50 to £55 for the last two months of 1952.

[2] This is part of the four-year trade agreement between Burma and Ceylon signed in 1953, fixing prices of rice for the next four years at £50, £48, £46 and £44 per ton respectively. Burma agreed ot sell, and Ceylon undertook to buy, a minimum of 200,000 tons per year and Ceylon may buy up to a maximum of 600,000 tons, subject to notice by 15 November of the preceding year.

[3] The Burmese Purchasing Mission alone, which went to the United Kingdom in the middle of 1953, placed orders for £2 million of equipment.

Non-trade items

An important change taking place in non-trade items in recent years is the sharp decline in remittances since 1951. This is due partly to the repatriation of about 60,000 Indians in 1949 and 1950, but mainly to the tightening of exchange controls and the prevention of abuses of certain regulations. In the middle of 1950 the Exchange Control Department cancelled its agreement with the Government of India relating to the exchange of Burmese notes into Indian currency at the Reserve Bank of India and at Indian border government treasuries. The new arrnagements provide for the exchange of Burmese rupees for Indian rupees in Burma to genuine travellers, up to a total of Rs.100 per person. Imports of non-monetary gold also declined in the last two years. In 1950 the exchange control had allowed the import of 70,000 ounces of gold, whereas at present permitted gold imports are negligible.

ECA grants in 1951 and 1952 amounted to K.22 million and K.35 million respectively, but Burma has sought to terminate ECA aid with effect from July 1953. In order to prevent abrupt cessation of the programme supported by these grants, it has been agreed that ECA will continue to finance, until completion, certain projects under way, while for others the government of Burma will provide funds.[1]

The income payments to non-residents have declined because many profitable activities such as the rice trade and timber industry have been taken over by the government, because in fields such as mining and the petroleum industry, where private foreign enterprises are still operating, re-investment for rehabilitation has reduced the transfer of profits earned, and because the level of profit is smaller than before the war owing to disturbances.

Balance of payments surplus

The increase in the value of exports noted above has not led to any inflationary pressure in Burma, because the bulk of the rise has been derived from rice exports and the domestic price has been isolated from the rising export prices by the State Agricultural Marketing Board,[2] which has kept its buying price of paddy at K.138 per ton since 1948. On the other hand, the SAMB has sold at considerably higher prices both on government-to-government account and to the private trade (for export) through the tender system.

It is estimated[3] that profits of the SAMB have increased sharply since 1950/51. Profits of the SAMB in 1951/52 amounted to 12 per cent of the gross domestic product and about 50 per cent of the value of exports. In 1952/53 the profits have increased still further and amounted to 16 per cent of gross domestic product.

PUBLIC FINANCE

After having budget deficits in the early post-war years, Burma had surpluses[4] between 1948/49 and 1950/51. In later years the revised estimates showed small deficit, but according to preliminary figures published by the Union Bank of Burma, there was a small surplus in 1951/52 and in 1952/53 as well (actual results of the first 10 months of 1952/53).

In 1948/49 and 1949/50 the surpluses were largely due to strict government economy; in 1950/51 rice prices and the profits of the SAMB rose sharply and continued at a high level until late in 1953. Meanwhile, national income was also expanding and import controls were relaxed, so that sources of revenue other than the SAMB gave better yields. Government spending at first lagged behind revenue in spite of the intentions of the government expressed in successive budgets (see table 9), but later began to catch up with revenue. Defence and investment expenditures accounted for the main part of the expansion.

The budget for 1953/54 foresees a substantial deficit, but it is doubtful whether this will be realized. In the past, revenues have been consistently under-estimated and expenditures over-estimated.

Revenue

The main source of revenue since the end of the war has been the contribution of the SAMB to the budget. In 1948/49, the rehabilitation contribution of the SAMB to the government accounted for 40 per cent of government revenues. Between 1949/50 and 1951/52 the relative importance of rehabilitation contributions declined to about 33 per cent owing to increase of tax revenues. In 1952/53 (revised estimates) and in 1953/54 (draft estimates), however, the profits of the SAMB are expected to increase in importance to about 45 per cent of total government revenue.

The profits of the SAMB increased even more swiftly than the export price of rice, because the price to growers has been kept unchanged since 1948—although the growers have benefited by their own increased production and by various subsidy measures adopted by the government. The yield of land taxes, which is in any case small, has increased only because land has been newly brought under cultivation.

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[1] The projects to be continued include a modern rice mill, a prefabricated building for rice storage, equipment and supplies for the Burma Railways, a modern printing plant, assistance by the Massachusetts Institute of Technology (United States) to the Engineering College in Rangoon, etc.

[2] Although private exports are allowed, the exporters have to buy on tender from the SAMB and cannot buy direct from the farmers or millers.

[3] By the ECAFE secretariat.

[4] Including foreign receipts and foreign expenditure.

TABLE 9

BURMA: GOVERNMENT FINANCE

Million kyats

	Expenditure	Revenue	Balance
1950/51			
A. Estimates	572.6	467.3	—105.3
B. Accounts	517.8	552.6	34.8
C. Difference (B-A)	— 54.8	85.3	140.1
1951/52			
A. Estimates	809.9	580.0	—229.9
B. Revised estimates	773.5	629.0	—144.5
C. Difference (B-A)	— 36.4	49.0	85.4
1952/53			
A. Estimates	1,097.3	785.9	—311.4
B. Revised estimates	997.2	794.0	—203.2
C. Difference (B-A)	—100.1	8.1	108.2
1953/54			
A. Estimates	1,261.2	876.9	—384.3

Sourse: United Nations Fiscal Division.

In recent years tax rates have remained substantially unchanged,[1] but their yield has expanded rapidly as national income[2] has grown, tax collection improved with the restoration of order, and import increased on the relaxation of import controls since 1950/51. Thus about 65 per cent of the increase in tax revenue excluding contributions from the SAMB in 1950/51 was due to the increase in import duty collection. Total tax revenue, including rehabilitation contributions from the SAMB, now takes a larger share of gross national product; it amounted to about 12.5 per cent of gross national product in 1948/49, whereas it reached 17 per cent in 1952/53 (revised estimates).

Expenditure

Expenditure has also increased significantly since 1950/51 owing to increases in defence outlay[3] and to larger investments. The increase in defence expenditure in 1952/53 accounted for about 45 per cent, and the increase in investment for about 20 per cent, of the increase in total expenditure. In 1953/54 a large share of the increases in expenditure is again earmarked for defence, investment, and loans and advances.

It is worth noting that while the share of defence outlays in total expenditure has been increasing, part of defence expenditure may be regarded as economic expenditure. In the worst days of the uprising, substantial exports of rice were possible because of military escorts provided for the transport of rice from up-country to Rangoon. However, as peace and order are being restored, the pruning of defence expenditures in order to speed up development will become a matter of increasing importance.

CAPITAL FORMATION

Even in 1952/53 gross domestic output had only reached 81 per cent of the pre-war level. although it had been increasing during the previous four years. Nevertheless Burma has financed a domestic investment larger in relation to output than before the war without any inflationary pressure and has also managed to accumulate balances abroad. Thus, with the exception of the worst periods of insurgency, the government has channelled large portions of its total expenditure in post-war years into investment, thus making government investment, which in 1952/53 was about equal to private investment, more important in total investment than before the war. A large part of government investment takes the form of social and economic capital, such as education and transport facilities. The government, however, has also invested directly in agriculture and industry and has encouraged private investment in these fields.

Increased investment expenditure led to a rise in domestic output between 1949/50 and 1952/53 from 60 per cent to 81 per cent of pre-war output. Gross national expenditure increased by 47 per cent from K.3,160 million in 1949/50 to K.4,650 million in 1952/53, but as prices have been falling, it may be suggested that expenditure has not increased rapidly enough to absorb unemployed resources of labour and land. For example, the State Board (mainly the SAMB) were able both to purchase government securities and to increase their deposits with the Union Bank of Burma from K.58 million in September 1949 to K.428 million in September 1952.

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[1] Exception to this are the sales and commercial taxes introduced in 1949/50 but these have not been important when compared with total revenues.

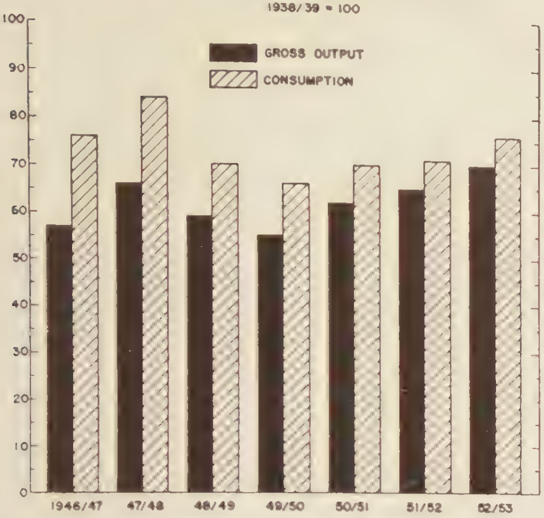
[2] National income at constant prices has also increased rapidly causing domestic prices to fall since 1949/50 (see *supra*, section on "External Trade and Payments" and *infra*, section on "Capital Formation").

[3] Defence outlays increased from 25 per cent of total expenditure in 1948/49 to 31 per cent in 1952/53.

Chart 10

BURMA: INDEX NUMBERS OF PER CAPITA PRODUCTION AND CONSUMPTION

1938/39 = 100

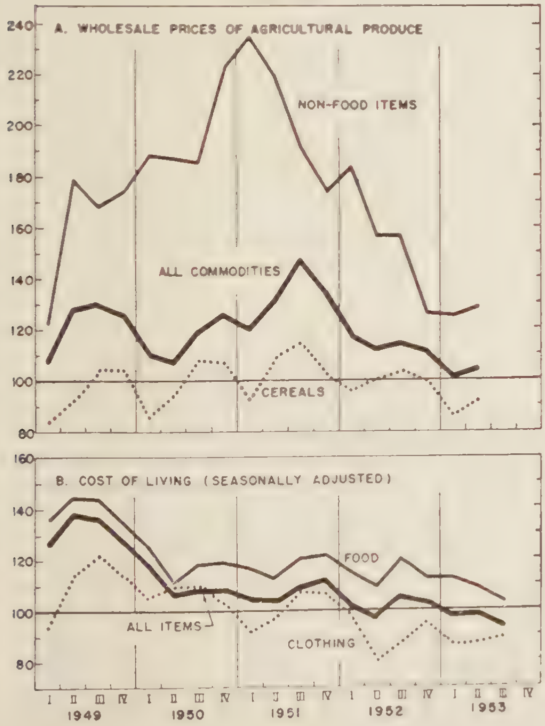


In the first years after the liberation private consumption constituted a higher proportion of gross national expenditure than before the war. Between 1949/50 and 1952/53, the increases in production outstripped consumption; while *per capita* consumption, measured at constant prices, rose by 15 per cent from 56 to 76 per cent of pre-war, *per capita* gross output rose by 27 per cent from 55 to 70 per cent of pre-war, and by 1952/53 the proportion of consumer expenditure n gross national expenditure was reduced to the pre-war evel.[1]

Chart 11

BURMA: INDEX NUMBERS OF WHOLESALE PRICES AND OF COST OF LIVING

1948 = 100



The restraint on the growth of private disposable income and the relative fall in private consumer expenditure were due largely to government policies regarding the price of rice. Other disinflationary forces contributing to the downward trend of prices since 1949/50 include the restoration of law and order, which has enabled production to increase, and goods and services to be exchanged more freely, and the fall in import prices following the collapse of the Korean war boom.

The official target for gross domestic capital formation in 1953/54 amounts to nearly K.1,100 million, as compared with the estimate of K.835 million for gross investment in 1952/53. Public investments planned for 1953/54, at K.565 million, include, in addition to investments provided for in the Central Government budget, investments of the State Boards, State governments and local authorities. Future economic trends will depend largely on whether the large increase in the investment programme will be realized, and if so, whether increased activity will generate inflationary pressure.

Progress made with pacification of the country and the completion of detailed plans for a large number of projects should facilitate the execution of the ambitious investment programmes for 1953/54. There is, however, some doubt as to whether the target set by the government will be actually reached. Since there are still unemployed resources,[2] no inflationary pressure need be anticipated during 1953/54[3] unless of course private disposable incomes are allowed to expand rapidly—which is unlikely so long as the State control of the internal price of rice is maintained.

The pressure of the investment programme on the economy need not, however, lead to inflation even if domestic production cannot be expanded rapidly enough to meet the target. The government is in a position to reduce the rate at which its balances abroad are growing,[4] and if necessary may draw on the substantial reserves already accumulated abroad.

CONCLUSION

The high and rising level of the export price of rice has dominated the economic position of Burma since 1949, with the quantity exported maintained at around one million tons in spite of insurgency.

Nevertheless, government expenditures may well show a tendency to expand as development plans now formulated get under way, while the fall in the price of rice foreshadowed by events in 1953 will reduce the earnings of the SAMB, and thereby the revenues of the government. In such circumstances the expansion of production will assume a new urgency.

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[1] Gross private savings increased from 3.3 per cent of gross disposable income in 1947/48 to 15.9 per cent in 1951/52; they were still below pre-war figure of 24.1 cent.

[2] The two major compenents of unemployed resources available for 1953/54 are labour and cultivable land (mainly for rice) which was used before the war and which can be brought into production again.

[3] There may, of course, be temporary and sectional increases in prices as certain development projects are implemented. In 1952/53 the implementation of the housing project by government caused the price of cement, brick and sand to double within a few months. The government has, however, solved this bottle-neck by importing more cement, and also organizing the domestic supply of these materials by private trade.

[4] The planned figure of K.200 million in 1953/54 is in any case probably optimistic, judging from the trend of rice prices in the middle of 1953.

Chapter 6.

CAMBODIA, LAOS AND VIET-NAM[1]

INTRODUCTION

Recovery in Cambolia, Laos and Viet-Nam has been hampered by the civil war which has been waged over the last seven years. Most of the available resources have been drained away in military expenditure, leaving little for national reconstruction. Price rises due to inflationary conditions have been accelerated by the devaluation of the piastre from 17 to 10 francs, and communications are not reliable enough to permit regular and efficient inland distribution of food supplies and consumer goods to areas of scarcity. Improvements in agricultural and industrial activities are however visible in areas of continued security and plans have been drawn up for further development with internal and external assistance.

Output of rubber, cement and electricity has reached or exceeded the pre-war level, but production of rice, while slowly recovering, is still far below it.

The export trade in rice has made but a partial recovery in spite of the *seller's market* that prevailed until the beginning of 1953. With low rice exports and heavy imports due to the high level of military expenditure, large trade deficits are developing and the commitments of France are becoming heavier despite the efforts made by the States to shoulder an increasing share of the burden. Contributions from France to national and regional budgets finance a substantial part of military expenditure in Cambodia and Viet-Nam, while Laos is entirely dependent on external assistance in meeting the cost of security and rehabilitation. United States aid both in the form of over-all assistance to France and economic assistance in the three states is playing an important role in stabilizing to some extent the economic conditions of these countries.

PRODUCTION

Agricultural production

Rice: The 1952 paddy crop is estimated at 4.8 million tons, an increase of 0.3 million tons over the previous year, but well below the pre-war crop of 6.5 million tons. Improved security conditions have premitted a gradual increase of the planted area, which rose from 4.7 million hectares in 1950 to 5.1 million hectares in 1952; in 1953 the planted area is understood to have increased further. The impact of the war has fallen heavily on the most productive areas of North and South Viet-Nam; elsewhere output is apparently above the pre-war level.

Measures of improvement have lagged during the war and post-war years; in Viet-Nam there are now only 27 seed farms whereas there were 902 before the war. The amount of seed of improved quality distributed to farmers in 1950 was only one tenth of one per cent of the total amount of seed used. Although 10.200 tons of inorganic fertilizers were used in 1952, compared with 7,800 tons in 1950, the yield of milled rice per hectare is still low—only 0.7 ton[2] compared with 1.0 ton in Burma and Thailand and 3.4 tons in Japan.

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[1] The three States are treated together because of their close economic relationship. Since they form a Customs Union and have a common Currency Board, many of the most important economic data are not available for the three States separately.

[2] Average figure for the three States.

TABLE 10

CAMBODIA, LAOS AND VIET-NAM: PADDY PRODUCTION

Thousand tons

	1934-38	1942	1951	1952
Cambodia	..	838	1,440	1,410
Laos	..	386	502	500
Viet-Nam	..	6,127	2,564	2,850
Total	6,500	7,351	4,506	4,760

Source: FAO.

In Viet-Nam military expenditures permit less than one per cent of the budget to be devoted to agricultural development, though needs are met in part by contributions of equipment, seeds and fertilizers from the United States. The government expects to raise rice output from 2.9 million tons in 1952 to 4 million tons in 1956, though this will still be far short of pre-war output. The greatest effort is to be directed towards bringing abandoned land back into cultivation; between 1951 and 1953 about 25,000 hectares have been recovered. Small-scale irrigation and drainage projects will improve about 60,000 hectares in the next two or three years, and other schemes under consideration would add about 25,000 hectares to the irrigated area.

In Cambodia, where only part of the area available for rice cultivation, is at present utilized, a development programme has been drawn up to double the annual rice output over an area of 76,000 hectares. The programme has been started during 1952/53, partly with United States aid; a further $2 million will be needed to complete it.

In Laos the bulk of the rice production, which amounts to approximately half a million tons, is consumed locally. A five-year development plan is afoot to improve methods of production, quality of seeds, irrigation facilities etc. An experimental rice station is to be set up in 1954 and will demonstrate the use of machinery in agriculture.

Rubber: Rubber production in Cambodia and Viet-Nam reached the pre-war level of 60,000 tons in 1952. The share of rubber in export earnings rose from about 15 per cent in pre-war years to about 35 per cent in the post-war period; in 1952 and 1953 export earnings from rubber were higher than from rice. It is understood that new high-yield rubber plantations of Cambodia will be ready for tapping in a year or two, thereby increasing the exportable surplus of this crop. It is hoped that rubber output will reach 70,000 tons in 1953.

Fish: Production of fresh water fish ranks next to the production of rice and rubber in the economy. The annual catch is of the order of 410,000 tons, the Great Lake of Cambodia accounting for 250,000 tons. The flooded rice fields are another important potential resource for fish raising: in the Tonkin Delta (North Viet-Nam) alone it has been estimated that 50,000 tons might be obtained from rice fields. Fishing regulations are difficult to enforce under present conditions and it is feared that stocks in the Great Lake are steadily being depleted by clandestine over-fishing. The reclamation of land for grain production may also affect the fisheries in certain areas of Cambodia: the gain in food output may be small, and it has not yet been ascertained to what extent the increase in grain production from reclaimed land will be offset by declines in fish output in the flooded forest area. Fish production in the lower reaches of the Red River in Viet-Nam has been almost halved in the last thirty years by overfishing and extension of cultivation.

Agricultural policy

In Viet-Nam a new decree protecting peasant interests was issued by the Chief of the State Bao Dai during the current year. According to this decree peasants who till land abandoned by war refugees cannot arbitrarily be evicted upon the latter's return, and rents are fixed at 15 per cent of the product of the land, while no taxes are imposed on tenants. A major problem is that of middlemen's profits derived from the supply of credit, which are estimated to absorb as much as 3/4 of the price of rice to the consumer, and thus to cut deeply into the income of the farmers. The rate of interest charged by land banks has been reduced to 8 per cent, and the government has set up a pilot project in a controlled area to explore the possibility of supplying credit in cash and in kind to cover both cultivation and harvest expenses.

Industrial production

Industrial production in Cambodia and Viet-Nam, particularly of coal, electricity, cement and gas, has increased during the last three years. The value of capital goods imports was $29 million in 1950, while in 1951 their value, at 1950 prices, was $48 million. Other equipment, such as locomotives, procured primarily for military programmes, also makes a contribution to the rehabilitation of the civilian economy.

In Viet-Nam, while the introduction of new mining machinery and improvements in transport have increased *coal* production from 638,000 tons in 1951 to 858,000 tons in 1952, this is still far below the pre-war level of 2.3 million tons. There are twelve mines producing coal but nearly 95 per cent of the output is raised in one large mine which operates with foreign capital and employs about 11,000 workers. With the installation of new generators, *electricity* production in Viet-Nam has increased from 180 million kwh. in 1950 to 250 million kwh. in 1952, far exceeding the pre-war production of 100 million kwh. The output of *cement* in Viet-Nam has also exceeded the pre-war level during 1953, although it is still incapable of meeting fully the demand generated by the increase in building activity for civil and defence needs.

Construction

Public construction activity in the three States, aided by United States economic assistance, includes the following: the repair and relaying of strategic highways and bridges during 1951-52, costing $5 million for imported material and equipment and Pr.55 million for local expenses; the dredging of harbour areas in Saigon and construction of additional warehouses and a wharf in Saigon; the construction of railways of particular importance in Laos as riverways and roadways are inadequate and insecure; the building or improvement of a network of airports and runways. A number of hospitals and schools have also been built.

The influx of refugees to the cities from areas exposed to guerilla activity has increased the housing problem, and an extensive emergency low-cost housing programme is underway in Viet-Nam, with various forms of State and external assistance amounting to Pr.50 million. Small loans to owners for repair of damaged buildings granted by the newly created National Office of Reconstruction aggregate nearly Pr.10 million in North Viet-Nam. The effort of reconstruction can be gauged from the index of building activity which, during 1953 (January-July), stood at 161 for the Saigon area as compared with 100 in 1949, and 96 in the corresponding period of 1952. In Haiphong and Tourane, building activity during 1952 (January-July) was double that in 1951; in 1953, building decreased by 25 per cent in Haiphong but increased by 20 per cent in Tourane.

EXTERNAL TRADE

Cambodia, Laos and Viet-Nam form a Customs Union, and the proportions of customs revenue going to the States are 22, 7 and 71 per cent respectively. Laos has no outlet of its own to the sea for its export products—coffee, tobacco, spices, lac, tin etc. Owing to difficult road and river communications between the three States, the possibility of diverting part of the trade of Cambodia and Laos through Bangkok has been discussed. Meanwhile, additional rice milling facilities at Phnom-Penh (37 mills with a daily milling capacity of 2,000 tons of paddy were established in 1952) have enabled the bulk of the rice crop to be shipped directly from Phnom-Penh rather than through the usual Saigon trade channels.

The trade balance of this Customs Union has worsened considerably during the last two years and imports are now almost four times exports. Although precise data are lacking for the States separately, it would appear that Cambodia has a small surplus on trade account, while Laos (even including its exports of tin and coffee through Thailand) has a small deficit and Viet-Nam a very large one.[1]

The export of rice, particularly from Viet-Nam, dwindled after a partial embargo was placed on exports for the purpose of increasing stocks to meet internal scarcities. Export markets are increasingly being sought in Hong Kong, Indonesia, Malaya and the Philippines, rather than in the franc area.

The pre-war rice imports of France from the States of Indochina averaged 600,000 tons; the fall in imports from these countries in the post-war years is partly due to decreasing availabilities, and partly to increased domestic production in France, which now meets three quarters of its own requirements. The States of Indochina remain the main source of supply of French overseas territories, but recently, owing to the expectation of poor supplies from the three States, Italy has succeeded in entering this market.

The value of rubber exports between 1950 and 1951 increased by 60 per cent while the volume of exports remained unchanged. Between 1951 and 1952, on the other hand, the tonnage of rubber exports increased by more than 10 per cent while there was a 30 per cent decline in export proceeds. Exporters of rubber to the United States are permitted to retain part of the dollar proceeds, which enables them to import scarce luxury goods yielding high profits, such as silk, radio sets, air conditioning units, and these import profits have offset the exporters' loss on rubber due to the fall in its price. Rubber exports in the first 9 months of 1953 have continued at the same rate as in 1952, with the United States buying an increased share of the total.

TABLE 11

CAMBODIA, LAOS AND VIET-NAM: EXPORTS OF RICE

Thousand tons

	1934-38	1950	1951	1952	1953 Jan-Sept
ECAFE countries	516.4	14.8	146.6	135.1	*108.0*
French overseas territories	127.4	59.0	99.2	53.6	*25.2*
France	592.8	27.0	24.4	3.7	—
Other	108.1	3.1	35.6	18.4	*13.2*
Total	1,344.7	103.9	305.9	210.8	*146.5*

Sources: Commonwealth Economic Committee; Institut d'Emision des Etats du Cambodge, du Laos et du Viet-Nam.

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[1] Institute d'Emission des Etats du Cambodge, du Laos et du Viet-Nam, *Studes et Documents*, No. 3. Trade balances relate to foreign trade, excluding trade within the union.

The current trends in the volume and price of rice exports, contrasted with the rising trend in the value of imports, afford little hope that a substantial improvement in the trade balance would take place in the near future.

The deficit on trade account rose from Pr.3,500 million in 1951 to Pr.6,850 million in 1952. While there are no balance of payments data, it would appear that the level of imports has been directly determined by the availability of French francs to the three States, and the increase in the commercial deficit reflects rising military expenditure by France. Thus in 1952 the Currency Board had only accumulated modest French franc reserves of Pr.680 million; their rise in 1953 was due to the re-evalution of assets following the change in the value of the currency: at the end of October 1953, their foreign exchange value was less than at the end of 1952.

DEVALUATION AND PRICE CHANGES

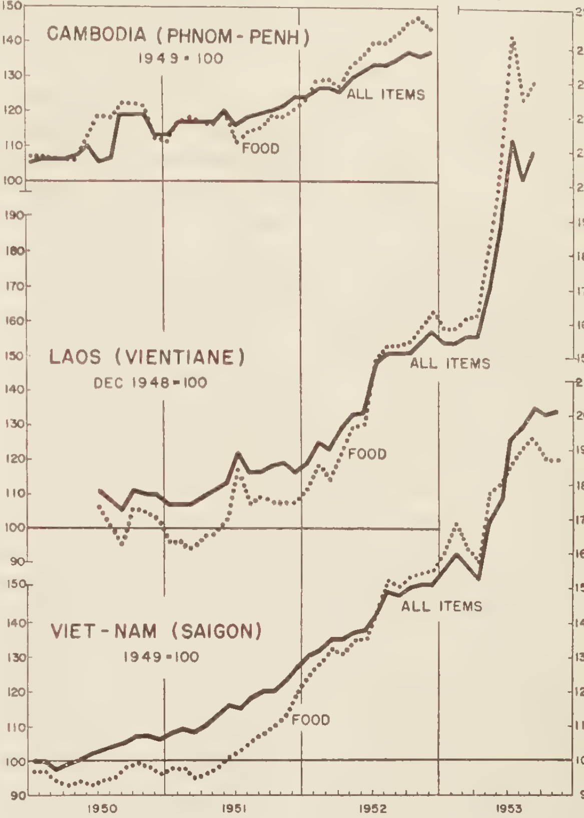
The French Ministry of Finance announced on 10 May that as from the following day all of the external commercial and financial transactions of the three States of Indochina would be effected on the basis of 1 Indochinese piastre for 10 French francs. (The previous rate of exchange had been 1 Indochinese piastre for 17 French francs). The reasons given for this action were the need to eliminate large-scale currency speculation and capital flight, and to lesson the strain on French resources arising from the locally borne costs of the war.

As soon as the news of devaluation became known, speculators hid their stocks of merchandize in order to raise sales prices. Despite the control measures taken by the Viet-Nam Government, the increase in prices was rapid. The cost of living index for Saigon, based on 1949 = 100, which had increased from 130 in January to 151 in December 1952, rose from 152 in April to 169 in May 1953 and to 187 in June when the impact of devaluation was felt; in August 1953 the index stood at 197. In Laos, where the cost of living index, based on December 1948 = 100, had shown no change between the middle of 1952 and April 1953, it jumped from 156 in April to 170 in May and 188 in June. In Cambodia, where price rises had been more moderate than in Viet-Nam, retail price quotations at Phnom-Penh for May and June 1953 also rose significantly after devaluation. The index of wholesale prices in Saigon rose by 34 per cent between April and August 1953; the group index for imported goods rose by 49 per cent and that of local produce by 30 per cent.

In Saigon, between April and June, the price of rice No. 1 increased by 7 per cent, that of rice No. 2 and of paddy by 12 per cent, black pepper, 60 per cent; kapok, 70 per cent; and rubber RSST, 50 per cent. The increases in rice prices were limited because the prices of rice and its derivatives were fixed by the government and exports were suspended till further notice. Prices of imported commodities rose substantially, though unevenly because of the diversity of existing controls. Thus, from April to June 1953, prices of milk increased 55 per cent; sugar, 41 per cent, flour, 19 per cent; petrol, 35 per cent; caustic soda, 68 per cent; iron and steel, 62 per cent; cotton yarn, 37 per cent; tyres, 30 per cent; and white cotton piece goods, 70 per cent.

Chart 12

CAMBODIA, LAOS, VIET-NAM:
INDEX NUMBERS OF COST OF LIVING



PUBLIC FINANCE AND MONETARY POLICY

The most striking factor about the development of public finance in the three States is the rapidly increasing level of military expenditure. While data are not available for Laos, the figures for Cambodia and Viet-Nam indicate that total expenditure for security almost doubled between 1952 and 1953.[1] Although these two States are making an increased contribution towards financing the war effort, the expenditure incurred by France has been mounting even more rapidly and more than doubled in regard to Cambodia, while it increased by 70 per cent with respect to Viet-Nam. The French budget also supports the total military expenditure of Laos. Owing to the cost of the war effort it could hardly be expected that the State budgets would be balanced. Except in the case of Laos, strenuous efforts have, however, been made to curtail the less essential civil expenditures in order to face military commitments without having to resort to borrowing from the central bank.

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[1] All data for 1953 refer to the budget presented at the beginning of the year on the basis of the pre-devaluation price level. Owing, however, to the devaluation of May 1953 and subsequent price rise, it is likly that both revenue and expenditure will substanially exceed the budgetary figures.

In *Cambodia* where the value of French military supplies exceeds the national defence contribution, the budget for 1953 was balanced without resort to borrowing from the Currency Board. Revenue has been increased somewhat through improved tax collection, a higher rate of turnover tax, and the national security tax, which amounts to a proportionate income tax, has been maintained. Despite these efforts, Cambodia has been compelled to borrow Pr.50 million from the Currency Board in the first five months of 1953.

Budgetary data for *Laos* are incomplete since no data are available regarding military expenditure, so that the size of the total budget is unknown. Civilian expenditure showed, however, a remarkable increase over the 1952 level. The main item responsible for the increase in expenditure is the large-scale investment programme which includes Pr.119 million for new public works projects. Expenditures on education and on general administration have also risen substantially, owing partly to increases in the salaries of government employees. It appears that the revenues of the State are inadequate to meet even civil expenditure and the Laos Government decided to utilize its drawing rights on the Currency Board: between February and May 1953 Pr.180 million were borrowed.

The budget of the Government of *Viet-Nam* shows a small decline in the deficit between 1952 and 1953, thanks to an increase in revenue of over Pr.1,200 million. The bulk of the increased revenue is expected from an increase in the rate of sales tax from 1 to 3 per cent. Since the French contribution to the Vietnamese budget has doubled between 1952 and 1953 (including both civil and military contributions), it should be adequate to cover the whole deficit without further borrowing from the reserve funds which had provided an important source of financing in 1952. However, this improvement in the Vietnamese budget, despite the considerable increase in military expenditure, is likely to be illusory, since the 1952 budget included "pacification expenditures" and contributions to the local authorities which in 1953 were transferred from the central to the regional budgets. In 1953, the deficit of the regional and local authorities in Viet-Nam is expected to rise to the impressive figure of Pr.1,824 million, the bulk being incurred in the regional budget of North Viet-Nam and reflecting essential military outlays. Thus the increase between January and May 1953 of Pr.500 million in the amount of Viet-Nam treasury borrowings from the Currency Board may well reflect deficits in the budgets of regional authorities as well as that of the central budget.

The budgetary position of the States and regional authorities was not the only inflationary factor at work: account must also be taken of direct expenditures of the French forces in the three States. While no data are available as to these outlays, the size of the budget of the French Ministry for the three States suggests that they may have been considerable. Total credits voted to that Ministry amounted to Pr.22,600 million in 1952 and approximately Pr.37,000 million 1953.[1]

Although some proportion of this expenditure would be incurred in France or in other countries, for the purchase of military equipment, including deliveries of military supplies to the national armies, the remainder is nevertheless far greater than the total budgetary deficits for the States and regional authorities.

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[1] French francs converted into piastres for ready comparison: for 1953, 5/12 of the total are converted at the rate of 17:1, and the rest at the rate of 10:1.

TABLE 12

CAMBODIA, LAOS AND VIET-NAM: BUDGET

Million Pr.

	Cambodia		Laos		Viet-Nam	
	1952	1953	1952	1953	1952	1953
Expenditure	1,246	1,687	313	481	4,602[a]	5,763
Military	*545*	971	b	b	*2,459*	*4,091*
National contribution	353[c]	457[c]	—	—	1,765	2,906
French contribution	192	514	..	..	694	1,185
Civil	701	716	313	481	2,143[c]	1,671
Revenue	1,041	1,290	238	263	3,029	4,241
Deficit	205	514	..	..	1,573	1,522
Recovered by drawing on Reserve Fund	13	—	—	—	815	—
Contributions[d]	192	514	..	..	758	1,522

Source: Information supplied by governments.

a. Including Pr.1,000 million for civil expenditure (pacification and subsidies to regional budgets); this item is deleted in 1953 budget and transferred to 1953 regional budgets.

b. Military expenditure in Laos covered entirely by France.

c. Including expenditure for local defence and protection of important installations.

d. Mainly French subsidies for military expenditure for Cambodia and Viet-Nam.

In view of these facts, the increase in currency in circulation which amounted to Pr.390 million only in 1952 (or 5.3 per cent of the note issue outstanding) appears rather modest, as also does the more rapid rise of Pr.450 million in the first five months of 1953.

French expenditure, however, although it generates purchasing power, also provides foreign exchange that permits its absorption through imports. Thus it increases pressure on domestic supplies and prices only to the extent that the demand it generates is directed to domestically produced goods.

In fact, the tremendous import surplus, which has been mentioned above, has been the main factor making for the measure of monetary stability experienced in the three States. Since the French franc holdings of the Currency Board have been rising only slowly, it would appear that inflationary forces have worked themselves out through the foreign account: to the extent that French goods were supplied, the main inflationary force would thus have been shifted back to France.

American aid was also a factor of some significance, since, at the official rates of exchange, it amounted to Pr.500 million in 1952 and approximately Pr.800 million in 1953. Its importance however lay less in the fiscal field where its counterpart funds provided no more than a book-keeping device for financing budget deficits, than in the programmes of rehabilitation which imports of equipment, raw materials, fertilizers and other goods have made possible. American aid to France has also been an important factor in making it possible for that country to shoulder its financial burden in the war effort and to contribute to the creation of national armies in the three States.

Chapter 7.

CEYLON

The post-war economic policy of the government has been determined as much by social as by economic considerations. In its essentials it was based on the First Six-Year Plan, brought into operation in 1947. The plan called for subsantial outlays on social capital, as well as for the improvement and expansion of basic export industries and the development of new industrial and agricultural enterprises.

The progress of the plan, though never entirely satisfactory, benefited from the Korean war boom, during which gross domestic fixed investment reached new high levels; during 1951 it absorbed over 11 per cent of gross national product, double its share in 1947. However, after the peak of the boom was past, budget deficits increased and high levels of expenditure led to a balance of payments deficit. Since the beginning of 1952 the fall in reserves has been a disquieting element in the economic situation.

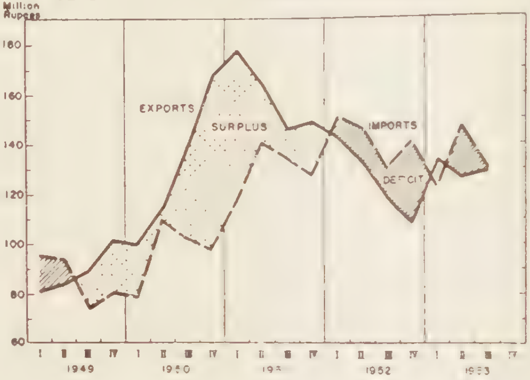
EXTERNAL TRADE AND PAYMENTS

The deterioration of the external position is strikingly displayed in the rapid fall in external reserves during 1952 and 1953, and the appearance of a balance of payments deficit on current account in which the trade balance was a determining factor. At the end of January 1952 the reserves stood at Rs. 1,209 million; at the end of August 1953 they were only Rs. 669 million, an average monthly decrease of over Rs. 28 million. The rate of fall slackened somewhat as the reserves fell, and there were even small increases in January and February 1953. But these did not herald a reversal of the trend, for the fall was resumed in succeeding months and in November was still continuing. Nevertheless, the reserves are still comfortably above the level of Rs. 450 million which the International Bank for Reconstruction and Development Mission, reporting in June 1952, regarded as a satisfactory working balance.

During and after the boom the government followed a policy, based partly on social considerations, of stabilizing prices and wages by relaxing import controls and increasing subsidies on food imports. But the value and volume of imports tended to keep up in face of falling export yield, and in 1952, in view of falling foreign exchange reserves, the liberal import policy was partially abandoned; exchange restrictions were tightened and subsidies limited. In 1953 the reserves continued to decline in spite of some improvement in the terms of trade, and the reversal of policy has proceeded further; subsidies on food have been cut off entirely, and some import duties increased.

Chart 13

CEYLON: VALUE OF IMPORTS AND EXPORTS



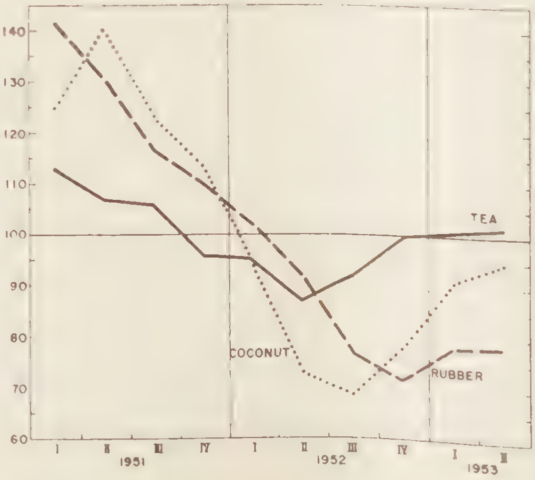
Exports

The variations in the volume and unit value of total exports and their underlying trend conceal some diversity of movement as regards the main export commodities which are significant for Ceylon's export prospects; rubber in particular has shown serious price instability which makes it the least reliable of the major exports.

Chart 14

CEYLON: UNIT VALUE INDICES OF EXPORTS OF SELECTED COMMODITIES

Jan 1951 - Jun 1953 = 100



Tea, which accounted for rather more than 50 per cent of the value of domestic exports in 1952, did not share to any perceptible extent the increase in general demand which accompanied the Korean war boom, and has displayed considerable variations of export volume overlying a trend which seems to be rising slightly. *Rubber*, accounting for 26 per cent of the value of domestic exports in 1952, after the initial spurt which worked itself out in the early part of 1951, has also shown considerable variations in export volume without any perceptible trend either way; however, these variations have hardly been larger than in the case of tea. But *coconut products*—of which the most significant are desiccated coconut (a foodstuff) and coconut oil (an industrial raw material)—which together accounted for 14 per cent[1] of the value of domestic exports in 1952—have displayed a different pattern of export volume. There was some falling off in the early part of 1951, but thereafter exports rose and reached a peak in the third quarter of 1952, subsequently declining sharply, reaching the level of the 1951 trough during the first quarter of 1953.

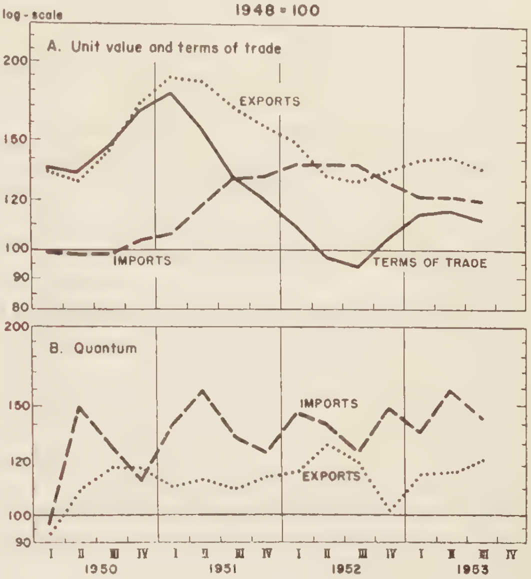
Price movements, on the other hand, have shown common tendencies (see chart 14). The export prices of the three main export commodities fell fairly steadily after reaching peaks in 1950 or early 1951, and began to recover in 1952. The first to show an upward movement was tea, followed by coconut products; rubber was the last to show a recovery. Moreover, the extent to which the price fall had been recovered was greatest for tea, less for coconut products, and least for rubber. In 1953 prices tended to level off rather higher than the lowest prices of 1952, but well below the boom peaks. There is no substantial evidence that price declines have reduced the volume of exports of any of the three commodities since the early part of 1951, and indeed there has been an inverse relation between price and export volume in the case of coconut products. However, all three commodities have contributed to the export price fall which has been the major factor in the adverse movement in the terms of trade, with the price fall for tea substantially smaller than for the other major products, the fall to the 1952 trough being about 25 per cent from the highest price of 1951; in the case of rubber and coconut products the corresponding fall was around 50 per cent.

Imports

The unit value of imports reached a peak in 1952 and from the fourth quarter of that year has tended to decline. Their volume also reached a peak in 1952 and declined somewhat in 1953. These movements, together with improving volume of exports and rising export prices, reduced the adverse balance of trade in the first six months of 1953 to Rs. 33 million compared with Rs. 68 million in the first half of 1952. If the budget were balanced the volume of purchasing power in the Ceylon economy would tend to be controlled by changes in the level of export earnings—production for export accounted for rather more than one third of gross national product in 1951—and would be followed after an elapse of some months by a change in the demand for imports, more than 90 per cent of which consist of food and other consumer goods. However, in 1951, 1952 and 1953, subsidies on imported food and the effects of the budget deficit prevented any immediate reaction on imports when the value of exports fell. In 1952 food imports cost Rs. 767 million—45 per cent of total imports—and rice cost Rs. 329 million, nearly 43 per cent of the food bill. The subsidy paid by the government on rationed rice amounted to Rs. 234 million in 1952, over 70 per cent of the import cost, and imported flour was also subsidized.

Chart 15

CEYLON: INDEX NUMBERS OF EXTERNAL TRADE



The import policy which was announced in August 1952 is, according to the budget speech, to be continued. The policy applied restrictions to non-essential imports from the dollar area and the non-sterling European Payments Union (EPU) countries on account of the deterioration of the sterling area balance of payments with these two groups of countries, the decline in the central sterling area gold and dollar reserves, and Ceylon's own balance of payments difficulties. This policy by itself probably had little effect on the volume of imports, since alternative sources for most of the commodities concerned could be found.

Pattern of trade

There has been a striking change in the volume of trade with mainland China consequent on the trade agreements signed on 5 October and 17 December 1952.

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[1] If exports of fresh coconut are included then the share is 16 per cent.

The first of these was a temporary arrangement designed to meet the serious shortage of rice which faced the Ceylon Government; the second provided that Ceylon should sell 50,000 tons of sheet rubber to mainland China per year at annually agreed prices, and should receive 270,000 tons of rice per year—more than a third of total consumption requirements. As a result, mainland China has become Ceylon's second trading partner after the United Kingdom. Ceylon now has a market for sheet rubber which is replacing crepe in its production, and the prices in the trade with mainland China are more favourable than world prices, both for rubber and rice. Moreover, it was announced in October 1953 that prices for both Burmese and Chinese rice in 1954 would be substantially lower than in 1953. Ceylon will receive 270,000 tons of rice in 1954 from mainland China, and a minimum of 200,000 tons from Burma. The stock position of rice is now good; at the end of October the government held 120,000 tons, equal to three months' requirements, and announced its intention of exporting 50,000 to 80,000 tons.

TABLE 13

CEYLON: PERCENTAGE DISTRIBUTION OF TRADE BETWEEN COUNTRIES OF ORIGIN AND DESTINATION

	1950	1951	1952	1953 Jan-Sep
Imports	100.0	100.0	100.0	100.0
United Kingdom	19.7	21.9	22.4	22.6
China (mainland only)	0.2	0.3	1.9	13.1
United States	3.0	5.3	8.8	3.5
Australia	6.9	7.9	7.3	11.6
India	15.5	12.0	12.4	12.2
Others	54.6	52.6	47.2	37.0
Exports (Domestic) ..	100.0	100.0	100.0	100.0
United Kingdom	24.5	32.1	29.4	26.0
China (mainland only)	—	—	8.8	15.4
United States	22.3	10.9	11.1	8.8
Australia	7.6	7.2	6.4	9.1
India	1.9	2.6	2.5	3.0
Others	43.7	47.2	41.8	37.6

Source: H.M. Customs, Colombo.

The government is making an effort to increase the share of foreign trade in the hands of Ceylonese nationals and Ceylon-registered companies. Trade with mainland China is now confined almost entirely to Ceylonese nationals. Trade under an agreement with Yugoslavia, signed in July 1953, is to be done through Ceylonese firms as far as possible though trade so far has been small. A commercial centre in Colombo is to be established for Ceylonese businessmen, and the registration of Ceylonese traders is to be tightened up in an effort to weed out those who are inefficient.

PRODUCTION AND DEVELOPMENT

Early in 1953 the government set up a planning committee and a planning secretariat, in accordance with the recommendations[1] of a mission of the International Bank for Reconstruction and Development (IBRD), to deal with economic development. Two plans already existed for Ceylon. The first, the Six-Year Plan proposed in 1946, was to be completed in September 1953. The formulation of this plan was rather loose, it being little more than a set of departmental proposals, and its main interest lies in the priorities which it laid down. The second, the Ceylon section of the Colombo Plan, was prepared under the assumption of freely available internal and external financial resources, and therefore is much larger than the available resources allow. The intention at present it to spend about Rs. 1,500 million on development projects, no specific period being fixed. It is expected that development expenditure will approximate Rs. 300 million per year.

The problems which face the government and the planning secretariat arise from two main factors: the rapid growth of population, and great dependence on three main export crops. Development in agriculture will therefore be directed towards raising efficiency of production, raising its quality—which in itself may help to stabilize sales—and diversifying production. Dependence on exports may also be reduced by increases in food production at home, and that was stressed in the Six-Year Plan.

The population problem is partly one of providing work for a growing labour force, and partly one of increasing *per capita* incomes in spite of the growth of numbers. Although there is at present some under-employment and seasonal unemployment, the problem is for the future rather than the present. However, the means now open for extending employment, such as the colonization of newly irrigated land in the dry regions of the island, are unlikely to be completely effective, and the solution may lie rather in an extension of industry.

Industrial development in Ceylon must be based on rather limited natural resources. There is no coal or oil in the island, and hydro-electric generation must provide the main source of power. The two most promising fields of industrialization are in processing export crops and producing consumer goods. Production of cement, some chemicals, and light machinery could also be increased, though the internal market is limited and competition from outside strong. The diversification of agricultural production might well be linked with growing processing and preserving industries in Ceylon, and improved quality control of exports. It has been suggested that cacao, which can be interplanted with rubber, might be grown and processed, and that increased dairying might lead to larger home and export markets for processed and preserved foods.

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[1] *The Economic Development of Ceylon*, Report by the International Bank for Reconstruction and Development Mission, 1952.

These questions were considered in detail by the IBRD mission which reported in June 1952. The mission believed that first priority must be given to the development of agriculture, since that would be the main source of foreign exchange required for any future development programme; second would come the improvement and extension of the transport system; then the development of new sources of electric power and provision of a distribution network, then health and education and, finally, industry. These priorities were for six years from 1953 to 1959 only, and they reflect the opinion of the mission that in spite of its long-term importance industrialization must proceed cautiously, its development being in small units in which experience can be gained, rather than in large units which might initially not be successful.

Since many of the policies recommended were already being pursued by the Ceylon Government, the mission was mostly concerned with their intensification or confirmation. On the other hand, there are some recommendations which at the time the mission reported were contrary to governmen policy; for example, it was recommended that certain irrigation schemes should be dropped; that food subsidies should be eliminated and that additional financial responsibilities and powers should be delegated to local authorities.

Since the end of the war gross fixed capital formation has been expanding, both in value and as a share of gross national product; in 1951 the proportion was about 11 per cent. Moreover, the share of imported goods in capital formation has been decreasing, and the upshot of the report of the IBRD mission is that development under the original Six-Year Plan has generally been in the right direction, although some of the policies already followed might have been pursued more vigorously. In the original plan, priorities between the various lines of development were hardly distinguished sharply enough, and experience now suggests some modifications. The broad effect of the budget proposals in 1953 is in accord with these conclusions, for more attention is to be given to considerations of development. Moreover, some of the more detailed recommendations of the Mission are already being put into practice particularly as regards development of agricultural production for export and rationalization of the programme for industry.

Agriculture

Agricultural production is higher than pre-war even though it deceased by 4 per cent in 1952/53, falling nearly to the average level of 1948-50. However, crop yields were not uniformly down; rubber production decreased by 10 per cent, and tea production by 3 per cent, whereas rice production remained substantially unchanged and copra production increased by 7 per cent. Rice production was still somewhat below the pre-war level, in spite of the incentive of prices even higher than the current guaranteed prices, but other crops exceeded pre-war levels, sometimes substantially.

Land development has fallen somewhat behind the rate set in the Six-Year Plan, and 64,700 acres had been developed by the end of 1952, against a figure for the plan period, ending in 1953, of 131,000 acres. The expense of settlement is being reduced by providing settlers with less land, a smaller subsidy and a smaller house than before.

About 10 per cent, 65,000 acres, of the area at present planted to rubber is to be rehabilitated during the next five years, funds being provided from a levy on exports of sheet rubber, at first of 10 Ceylon cents per lb. but later reduced to 9 cents per lb. The grant of subsidy, which will vary from Rs. 700 per acre for large estates to Rs. 1,000 per acre for small holdings, will depend upon the suitability of the land and supply of suitable planting materials, for which both the government and the larger estates are establishing nurseries. At present high-yielding strains occupy only about one-sixth of rubber land.

Industry

Government industry: It is expected that *electricity* supply, both generating capacity and the distributing system, will be expanded in 1954, permitting greater use of electric power in the tea and rubber areas.

Some other government enterprises have been extended or re-organized during the year, and factories producing *paper*, *vegetable oil*, *DDT*, *caustic soda* and *chlorine*, and *ceramics* are scheduled to begin operating by the end 1954, their capital cost being about Rs. 60 million. The government *glass* factory was closed down in February 1953.

Total *cement* requirements are about 130,000 tons per year, of which 60,000 have been supplied by the government-owned factory. Machinery to increase this figure to 95,000 tons is being installed, and the erection of a second kiln, which would double capacity, is under consideration. Various measures have been taken to improve the efficiency of production.

Production of *plywood* has been hampered by uncertain supply of timber, and highly competitive imports of tea chests from Japan. The factory is being re-organized to reduce costs and improve quality, and since March 1952 importers have been obliged to purchase domestically-produced chests in the ratio of one to every five imported.

Uncertain supplies of hides and skins have hampered the operation of the government *tannery*, and the factory is being re-organized and further mechanized.

Private industry: In 1952 there was a general moderate expansion in many of the small industries supplying consumer goods; *textile* manufacture, which is in competition with a much larger import trade, showed a sharp expansion, but has since declined; the government assists a number of industries by cancelling or reducing import duty on supplies and equipment imported for their use, prohibiting the export of raw materials they require or the import of competitive goods, granting loans for industrial purposes, and applying the Industrial Products Act to prescribe ratios of home to imported goods which importers must purchase. Nevertheless, loans by the Agricultural and Industrial Credit Corporation between October 1952 and June 1953 for industrial purposes amounted to less than Rs. 2 million, while loans for agricultural purposes were more than twice that amount.

BUDGET POLICY

The remarkable internal stability of the economy as regards credit, money, and prices since the initial burst of activity accompanying the first phases of the Korean war boom has largely been secured at the expense of foreign reserves. With the budget of 1953/54 policy has come down more sharply on the side of external equilibrium than in any of the immediately preceding years.

In 1950, in spite of rising export prices and levels of activity, fiscal policy did not close the gap between revenue and expenditures, and it was only in March 1951 that export duties were raised to divert a further part of export profits directly to the government. Although by then prices were already showing signs of weakening, over the calendar year 1951 the revenue and expenditure were substantially in balance. Expenditure was not reduced; the improvement was due to improved revenue collections, and particularly to the increased yield of export duties. This balance, though temporary, allowed some conversion of government short-term borrowing to long-term and also permitted the Central Bank to use open-market operations as a stabilizing measure.

But the fiscal year 1951/52 ended in September with the heavy deficit[1] of Rs. 257 million, indicating that the measures taken in 1951 to increase revenues would no longer suffice to meet rapidly-growing expenditure, which in 1951/52 included nearly Rs. 250 million on food subsidies. The reaction of this situation on the foreign balances was dealt with directly by restrictions on payments and by re-introducing some import restrictions, and indirectly by fiscal measures in the budget itself. These included a limitation of subsidies to Rs. 161 million in the fiscal year 1952/53, an increase in the price of sugar, a 10 per cent surcharge on some import duties, a 10 per cent surcharge on personal and corporate income taxes, and doubling the betting tax. Guaranteed prices were raised for locally produced foodstuffs in an attempt to reduce the need for imports, all the more important since the sale of imported rice outside the ration ceased in the middle of 1952, and home-grown rice was rising in price. But by the end of 1952 it was already apparent that these measures had failed, and the drain on the foreign reserves would continue. The effects of the continuing budget deficit on private spending, coupled with the policy of price stabilization, were at the root of the fall in reserves.

During the first six months of 1953 there was little indication that current policies would lead to the elimination of this drain by putting an end to government borrowing from the Central Bank, and producing a parallel readjusttment in the private sector. However, the new budget represents a substantial change of policy, even though the subsequent reduction in the selling price of rationed rice has somewhat softened its impact.

The 1953/54 budget is designed to eliminate the net cash operating deficit and the borrowing from the banking system which has reacted so strongly on the balance of payments. This involves the elimination of food subsidies, which had been restricted to Rs. 161 million in the previous budget, after having reached a peak of Rs. 239 million in 1951/52. There is still a subsidy element in the prices of both rice and flour—for the latter, prices are unaltered, but the loss will be covered by profits upon sales of sugar, and no net charge will fall on the budget.[2] Free meals for school children have been discontinued, allowing a saving of Rs. 10 million annually. The direct effect of these measures on imports of food may be small, but the influence of real income reductions resulting from the price changes may react substantially on other imports after a while.

The budget proposals will reduce the net expenditure of government from Rs. 1,047 million in 1952/53 to Rs. 905 million in 1953/54, the bulk of the cut being due to the abolition of subsidies. Investment, including loans and advances, remains about the same as in 1952/53—in the region of Rs. 280 million, though this is much higher than in 1948/49, before the Korean war boom, when the figure was Rs. 159 million. The proposed share of investment has also risen, from 25 per cent in 1948/49 to nearly 30 per cent in 1953/54. Expenditure on social services is not reduced, and in fact will increase by about Rs. 24 million, or 10 per cent, over 1952/53. Apart from subsidies, the largest proportionate cut in expenditure will be in contributions to local governments, which are to be reduced by nearly a quarter, or Rs. 7 million.

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[1] See *infra*, special tables and notes in section on "Asian Economic Statistics".

[2] This situation has a bearing on the decision to export the current surplus stock of rice. Were it to be sold on the ration instead, profits on sales of sugar would be insufficient to meet losses on rice. Moreover one of the results of price and ration changes is that the government is being offered, and is obliged to buy at a guaranteed price, greater amounts of home-grown rice, for which the free market is no longer so profitable.

In spite of the reduction in expenditure, existing sources of revenues are not expected to be able to balance the budget, since falling export prices and falling activity generally will reduce revenue. The total deficiency, on existing sources of revenue, is Rs. 152 million. This will partly be covered from new sources of revenue, including increases in import duties (Rs. 17 million), in post and telegraph rates (Rs. 7 million), in railway fares (Rs. 10 million), in electricity rates (Rs. 3 million) and in tax on Ceylon tobacco leaf (Rs. 9 million); the government has also decided to sell its stock of scrap iron and a quantity of ilmenite ore, which together will realise about Rs. 15 million. By these measures, and by an increase in personal and company income tax yielding Rs. 24 million, it is expected to gain Rs. 82 million in all, covering rather more than half of the revenue gap.

Export duties which have been subject to criticism, are to be maintained, and are expected to yield nearly as much as in 1952/53, and even a slightly larger proportionate share of revenue. At the end of October it was decided that the sliding scale of duty on tea should be replaced by a fixed duty of 45 Ceylon cents per lb., on the ground that shippers had been taking advantage of duty changes in ways which involved a loss of revenue. The sliding scale of duties on coconut products has also been replaced by a schedule of fixed duties.

These measures still leave Rs. 66.4 million of expenditure uncovered, and it is hoped to borrow the sums required without recourse to the banking system. A short-term and a medium-term loan were offered in the market on 1 August totalling together Rs. 80 million, but this was at least partly a conversion operation which took up some short-term debt. Negotiations are also in progress with the International Bank for Reconstruction and Development by which it is hoped to cover the external costs of the electrical development for which no provision has been made in the budget. Attempts are also to be made to raise a loan in the London money market.

DOMESTIC PRICES, MONEY AND CREDIT

Movements in export earnings and export prices followed by reactions on internal activity, demand, and prices, underlie the main developments in the cost of living, the volume of money supply, and the extension of credit by the banks. Government policy has had only an offsetting or modifying effect over most of the period since the Korean war boom.

The first effects of the boom—superimposed on those arising from the devaluation of 1949—were a sharp rise in export prices, in incomes,, and in the cost of living. This last was due to the rise in prices of goods which were exported as well as consumed at home. The benefits of income increase were rather unevenly spread, and some classes of workers not in the export industries actually suffered a reduction in real incomes, even though the country as a whole was better off.

Government reactions to the boom were confined in 1950 to an increase in subsidy payments on imported flour and rice. Only in March 1951 were export duties increased, and the first seven months of 1951 had passed before the policy of import decontrol had been pushed to its conclusion.

On the monetary side an expansion of money supply took place in step with the increase in commercial activity, but also because of the government's own borrowing, reaching a peak in April and May 1951 and thereafter declining. At first the government regarded the situation as inflationary and encouraged the commercial banks to hold balances abroad rather than to repartriate and monetize them and also asked the banks to restrict credit for the purchase of estates from foreign owners. However, it appears that the expansion in money supply was not out of accord with the increase in activity; the increase in private credit was essentially non-speculative, though it continued after the peak in exports was past because the peak in value of imports was not reached until 1952.

The reactions on the balance of payments are worth noting. In the third and fourth quarters of 1950 and the first quarter of 1951, the balance of payments on current account was in surplus, and the surplus was growing. This corresponds to a period when government expenditure was greater than income, but private expenditure much less. Thereafter, during 1951, government revenues and expenditures were more closely balanced and the government accounts only began again to go into deficit in 1952, but in the second quarter of 1951 the balance of payments surplus on current account disappeared, suggesting that private expenditure had expanded relative to income. In 1952 the balance of payments showed a deficit larger than that in the government's accounts. Thus in 1950 total expenditure by the private sector was much less than income, but in 1951 total private expenditure was increasing, and in 1952 both the government and the private sector were spending in excess of income for most of the year.

In December 1951 the government judged that the inflationary phase was over and took measures to repatriate foreign balances held by the commercial banks. A disappointing feature of the whole period has been the upwillingness to lend or borrow for industrial enterprise. This was as much the case when demand and incomes were rising as when they were falling, and the government policy of encouragement had had little or no effect.

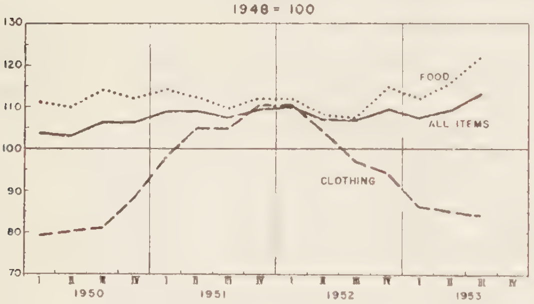
During 1952 and early 1953 domestic prices on the whole were fairly stable; in June 1953 the Central Bank index of real wages was at about the same level as in December 1951, and rather lower than in December 1950, although during 1951 the influence of falling prices in the export sector on the cost of living had largely been offset by rising prices for both imported and domestically produced goods. Meanwhile, money supply fell slightly in spite of the budget deficit, and so did commercial banks' credit to the private sectors.

In 1953 money supply continued to fall slightly, but it was only in July that a major step, the abolition of food subsidies and increase in taxation, was taken to reduce the purchasing power available to the public. It is as yet too early to assess their total effect on prices, money supply and credit, but the immediate reaction of the removal of subsidies is fairly clear.

The retail price of imported rice rose from 25 to 70 Ceylon centres per measure, and the ration was increased. At the same time Ceylon-grown rice sold off the ration fell to 86 cents per measure—it had stood at over 120 cents per measure during the first quarter of the year, the net result being a 4 per cent increase in the cost of living. This steep increase was, however, partly offset in October by a reduction in the price of rationed rice to 55 cents per measure, following the conclusion of agreements to purchase rice from Burma and mainland China at reduced prices. Ceylor-grown rice continues to be sold at 86 cents per measure.

Chart 16

CEYLON: INDEX NUMBERS OF COST OF LIVING
1948 = 100



The changes since June in rice prices will lead to an increase of less than 2 per cent in the cost of living. But wages in industries covered by Wages Board Legislation are linked to the cost of living index, and therefore the net effect on real wages in the rise in prices will be smaller. Among the industries covered are tea, rubber, and coconut growing, tea and rubber export, coconut manufacture, and building and engineering. The cost of increased wages in these industries will initially be borne by the employers, and it may be estimated that it would result in an increase of 2 Ceylon cents in the cost of porduction per lb. of tea (about 1 per cent of market price), and less than 1 cent per lb. of rubber (less than 1 per cent of market price). For rubber producers this factor is far less important than the reduction of prices foreshadowed in the rice-rubber agreement with mainland China. The incomes of domestic rice producers will also be reduced, because of the fall in price for their product.

The slightly downward trend of money supply, continuing into 1953, has largely been determined by two contrary factors—the gradual fall in export earnings from the high levels of early 1951, with the consequent loss of reserves, and the counteracting government deficit, met in part by borrowing from the Central Bank and by running down government cash balances. There has been only a moderate expansion of demand for credit from the private sector. Nevertheless, interest rates have shown an upward tendency and concurrently with the presentation of the budget in July 1953 the rate for central bank advances to the commercial banks was raised from 2½ to 3 per cent to bring it into line with other market rates. This was the first change since August 1950, and it reflects a general upward revision of the structure.

The policies followed between 1950 and 1952 achieved a major objective in helping to maintain and even to increase real incomes. But they also involved, in the particular context of boom and recession, large government expenditures on food subsidies, and a demand for imports in excess of what could be supported by export earnings. And investment by the private sector in manufacturing enterprises has substantially failed in quite favourable circumstances. It is against these considerations that the policies of redirection of the economy taking shape in 1953 should be judged.

CONCLUSION

The steady fall in reserves which has been the most notable feature in the past two years cannot be attributed to any single factor in either private or government spending. Nevertheless, falling reserves and an adverse balance of payments do indicate that the dual objective of maintaining consumption levels and development expenditure together is not compatible with a satisfactory balance of payments. Either or both could have been cut; in fact the government has decided to mainain expenditure on development and social services, and to cut consumption levels by doing away with food subsidies and increasing tax rates. The changes in disposable income will be somewhat unevenly distributed; for example, purchasers of rice are affected by the higher average price of rice, while producers suffer because the price of home-produced rice has fallen sharply. And for wage-earners the effect is a fall in real rather than in money incomes, since changes in wage rates and the link between them and the cost of living index, do not entirely compensate for movements in prices.

The impact of this change in policy may not show itself as any substantial reduction in rice imports; the effect on imports may be somewhat roundabout, falling real incomes and increasing absorption of money incomes by food purchases being reflected in reduced purchases of other goods. But the pressure on consumption levels of the new policy—a policy of allowing forces formerly working on the foreign reserves now to work on real incomes instead—will be softened to some extent by current improvements in the terms of trade, and particularly by the fall in the price of imported rice resulting from the new agreements with Burma and mainland China.

In spite of the increased tax rates in the new budget, the government is seeking the co-operation of private investors in maintaining a high level of investment. So far private investors have mainly concentrated on building and to a much less extent on agriculture, where, however, some investment has taken the form of purchases of estates from foreign owners. It is proposed to appoint a commission of enquiry into the tax structure as a whole, and meanwhile to offer certain further incentives to investment in some branches of agriculture and industry. Such measures have had little success in the immediate past, but they may help to sustain a somewhat timid spirit of enterprise in face of the present readjustment of expenditure to levels more in keeping with current export earnings.

New development outside the social and educational field appears to be taking three main physical forms, all in consonance with the priorities suggested by the International Bank for Reconstruction and Development Mission in 1952; first, extension of public utilities, especially hydro-electric schemes and power transmission; second, increased agricultural production, together with some diversification, based partly on the growth of better quality and higher-yield plants, and partly on the opening up of the new lands; third, a diversification of industry, partly for the production of consumer goods needed in Ceylon, but also with some stress on such products as cement and chemicals which are needed for the support of both agricultural and industrial production. All these lines of development are satisfactory, both for long-term development and in the sense that they are capable of saving or earning foreign exchange. However, in the field of industrial production, Ceylon has met with some discouraging experiences, while in agriculture intensified cultivation may run into serious problems of soil conservation.

Thus much of the outline of development in the immediate future is already determined. The questions of planning are largely those of adjusting priorities and programmes to accord with available financial resources, and to mobilize these resources as completely as may be.

How far it will be possible to make an immediate success of a current policy which apparently involves increases in investment of both the public and private sectors depends essentially upon reactions to the price changes consequent on the budget. There is no reason to expect a wage price spiral to develop since the effect of present measures on real wages is not great and cannot be regarded as a serious source of pressure. On the other hand, the investment programme depends upon a flow of saving from the private sector to cover not only investment in the sector, but also the government's net cash operating deficit. The budget itself will result in some reduction of profit margins in production and trade in export commodities, and in the case of rubber this reduction will be overshadowed by the much larger reduction resulting from lower prices for exports to mainland China. While such factors tend to reduce the pool of profits from which a large volume of private saving must be derived, a return to the policy of financing the government deficit by expansion of bank credit would destroy the stabilizing effect of the present measures. At the best, immediate equilibrium is not expected between total incomes and expenditures and the foreign reserves are expected to fall nearly to the level thought to be a comfortable working balance. Thereafter, the development programme will have to be financed entirely by domestic savings, except as foreign aid or loans can be arranged.

Chapter 8.

CHINA: Taiwan[1]

INTRODUCTION

Before 1945 under the Japanese occupation, the Taiwan economy was developed to export sugar, rice, salt and other primary products in exchange for Japanese manufactured goods and fertilizers. The island, which suffered severe losses from allied air bombings during the war, was returned to the Republic of China late in 1945. Rehabilitation was slow in the early post-war years owing mainly to difficulties in replacing or repairing damaged plant and to the shortage of fertilizers indispensable to the production of rice and sugar. Since late 1949, when the National Government of the Republic of China removed to the island, development has been facilitated by the influx of technical personnel and capital equipment from the mainland and by economic aid from the United States Government.

Emphasis has fallen on rice production at the expense of sugar, on account of the substantial increase in population consequent on migration from the mainland and the relatively high price of rice. So by 1949/50 cereal production was higher than before the war, even though total agricultural production was still far below the pre-war level in 1951/52. However, *per capita* cereal production in 1951/52 was still much lower than before the war. Industrial production has more than doubled since 1948, with textiles, electricity and fertilizers making the largest advances.

Inflation, although partly absorbed by a large import surplus financed by United States Aid, has continued until recently. It was due mainly to the large budget deficit resulting from defence expenditure.

PRODUCTION AND DEVELOPMENT

Agricultural production

Taiwan has 55 per cent of its population engaged in agriculture.[2] The arable land is located mostly along the coastal belt of the island. Since the soil is deficient in organic matter, agriculture requires the use of chemical fertilizers, and the seasonal concentration of rainfalls makes irrigation necessary.

The main export crops are sugar cane, tea and fruit;[3] the rice and sweet potato crops are chiefly for domestic consumption, although a small portion of rice is exported. Rice and sugar cane are the two major crops, rice being grown on 60 per cent of the total cultivated area in 1950.[4] Sugar exports have accounted for between one half and two thirds of total export earnings in recent years.

Agricultural production suffered a great decline owing to the war dislocation and shortage of fertilizer which used to be imported from Japan.[5] In 1945 sugar cane production was only one third, and rice production less than one half, the peak of production in 1938.

Agricultural rehabilitation and development has mainly involved greater use of fertilizers and construction or repair of irrigation works. The agrarian form, initiated in 1949, has provided incentives towards higher production.

From October 1945 to the end of 1952, 145,420 metres of dykes were built[6] and 63,000 hectares of new land irrigated, representing over 7 per cent of the total cultivated area (876,100 hectares). In addition, irrigation facilities on 238,000 hectares of land were repaired.

Application of chemical fertilizers to rice land, accounting for four fifths of all fertilizers used, increased nearly five times between 1946 and 1952. The increase per hectare during the same period was from 0.13 to 0.46 ton and was the main cause of the increase in yield of paddy per hectare from 1.59 to 1.99 tons.

The index of cereal production stood at 73 per cent of pre-war in 1946/47, exceeded pre-war in 1949/50 and was 18 per cent above pre-war in 1951/52. In 1952 rice production exceeded the pre-1945 peak by 12 per cent. However, *per capita* cereal production from 1949/50 to 1951/52 was still about 27 per cent below pre-war.

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[1] For mainland China see article on "Economic developments in mainland China, 1949-53", in *Economic Bulletin for Asia and the Far East*, vol. IV, No. 3, November 1953, pp. 17-31.

[2] Excluding the armed forces of over half a million, the total population in 1952 was 8.13 million.

[3] Especially bananas, pineapples and citrus fruits.

[4] *Taiwan Agricultural Yearbook*, 1951 edition, p. 8.

[5] Fertilizer applied to rice fields, amounting to 389,000 tons in 1938, fell to less than 2,000 tons in 1945. During the period of Japanese occupation (1895-1945) irrigation works were constructed to irrigate 562,000 hectares of land. As a result of war damage and lack of repairs, irrigation facilities on 42 per cent of the irrigated land (238,000 hectares) were destroyed.

[6] 419,513 metres of dykes were built between 1895 and 1945. The annual average of dikes built, 8,226 metres, compares with the average of 20,774 metres built under the Chinese Government in post-war years.

Production of sugar cane followed a different course. Two thirds of the planted area were reserved in 1946 and 1947 for replanting, and production during this period was, therefore, reduced below the already low level of 1945. In 1948 and 1949, production increased sharply, chiefly because of this replanting. Output of sugar cane reached a post-war peak of 6.2 million tons in 1948/49 which was about 50 per cent higher than the 1944/45 level. However, the large output coincided with the loss of sugar markets on the mainland and the imposition of strict export and exchange control. Sugar prices thus fell considerably. Moreover, the large inward movement of population from the mainland raised demand for and prices of rice substantially while rice prices in the world market were also rising. Thus the price ratio between sugar and rice fell from 2.4:1 in 1948 to 0.6:1 in 1949,[1] and a part of land under sugar cane plantation tended to be shifted to rice production. The area under sugar fell considerably in 1950/51 and output was only a little more than one half of that in 1948/49.

In order to keep the income of sugar cane growers from falling drastically and to maintain foreign exchange earnings, the government guaranteed a minimum price ratio of 1:1 between sugar and rice, any difference being made up by subsidy. No subsidy was necessary in 1950/51, and rising prices caused by the Korean war boom led to larger planting so that the area under sugar cane was 20 per cent above that in the previous year. Output also increased, though still remaining below the 1948/49 peak. From early 1952, rice prices rose rapidly while sugar prices fell again and the government was obliged to pay subsidies to sugar cane growers. Since 1 December 1953, the fixed ratio of 1:1 has been discontinued and replaced by a price-guarantee to the sugar cane farmers.[2]

Owing mainly to the low level of sugar production (even the 1948/49 peak was only one half of the pre-war peak), which offset the substantial increase in cereal production, the index of agricultural production in 1951/52 was still 11 per cent below its level before the war.

Land reform

Since 1949 three measures of land reform have improved the lot of the farmer and provided incentives for increasing agricultural production.

The first measure, put into operation early in 1949 and fully applied by the end of 1950, was the reduction of rent payments to the landlords to a maximum of 37.5 per cent of the main crop yield, as compared with around 50 per cent previously. When the rent was already below the maximum, no increase was permissible.

While some of the tenant farmers' income saved by rent reduction was spent on food consumption, the greater part—69 per cent in the second half of 1949 and 72 per cent in the first half of 1950—was spent on the purchase of fertilizers, cattle, farm implements and similar goods.

Rent reduction also contributed to the fall in the price of tenanted land by 33-50 per cent in 1951, as compared with 1948. It increased landlords' willingness to dispose of their land, and purchases by tenants totalled 26,500 hectares up to the end of April 1953.

The second measure of reform, put into operation in July 1951, was to increase the number of owner-farmers by the sale of public farmland. About 176,000 hectares of public farmland, 20 per cent of the total cultivated land, is available at a price of 2.5 times the annual yield of the main crops, to be paid in ten annual installments. So far 53,000 hectares of land have been sold. All revenue from land sale is to be paid into a special fund for assisting owner-farmers.

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[1] Market price ratio for unit weights of second grade sugar and white rice. See K. Y. Yin, "Price ratio between rice and sugar in Taiwan", in *My View of the Taiwan Economy* (in Chinese), pp. 53-54.

[2] Farmers are guaranteed a price for sugar cane equivalent to NT$1,400 per ton sugar. Any fall of the posted buying prices of the Taiwan Sugar Corporation below the guaranteed price is made good by a government subsidy.

TABLE 14

CHINA: AGRICULTURAL PRODUCTION IN TAIWAN

Thousand tons

	Pre-1945 peak	1945	1951	1952	1953[a]
Rice	1,402 (1938)	639	1,485	1,570	1,654
Sweet potatoes	1,770 (1937)	1,165	2,022	2,090	2,064
Sugar cane	12,835 (1938)	4,159	3,585	4,801	8,348
Tea	17.2 (1917)	1.4	10.5	11.6	11.6
Fruit[b]	304[c]	67	179	198	184

Source: Bureau of Accounting and Statistics, Taiwan Provincial Government.

Note: Figures relate to calendar years excepting those for sugar cane which relate to the crop year ending in the year stated, and are not strictly comparable with statistics presented in *infra*, special table A, section on "Asian Economic Statistics".

a. Estimated figures, Ministry of Economic Affairs.

b. Including bananas, pineapples and citrus fruits.

c. 1937 for bananas, 1939 for pineapples, and 1941 for citrus fruits.

The third measure came into force in February 1953. It prescribes the maximum amount of land on lease which may be retained by a land owner. All land above the maximum is to be taken over for sale to the tenants, on terms the same as those fixed for the sale of public farmland. The land owners are to receive 70 per cent of the compensation in land bonds redeemable in kind and 30 per cent in stocks of government-operated enterprises. The area of land for sale to tenants under this act is estimated to be 162,500 hectares (of which 137,000 hectares are paddy land), or 19 per cent of the total cultivated land.

Industrial production

Under Japanese occupation local industries largely processed agricultural products, especially sugar, or catered to local demand for coal, power, cement, paper and pulp and cigarettes. The island depended upon imports from Japan for clothing material and fertilizers. When the Government of the Republic of China took over the industries in 1945 war damage had drastically reduced production to a point varying, in terms of the pre-1945 peak, from under 10 per cent for chemical fertilizers, sugar, and paper and pulp, to 15 per cent for salt, about 30 per cent for cement, coal and electricity, and about 40 per cent for cigarettes.[1]

Industrial rehabilitation and development, facilitated by external aid, has been rapid and substantial, gaining momentum after 1949. A grant of $1.6 million from the United Nations Relief and Rehabilitation Administration (UNRRA) in 1946-47 helped the Taiwan Cement Corporation to get on its feet. The United States Government, through its ECA, MSA and FOA programmes, has assisted Taiwan industries, particularly power, chemical fertilizers, and cotton textiles, in expanding their capacity and output. Imports of capital goods were comparatively large in 1949 and 1951 and government investment has been stepped up since 1952.

The index of industrial production in the first nine months of 1953 was more than double that in 1948. The greatest expansion was in the textile industry, production in which was negligible before the island was restored to Chinese rule; it rose fivefold from 1948 to September 1953. In several other industries the pre-1945 peak was surpassed. Thus by 1952, output of electricity was 20 per cent higher, that of cigarettes doubled, and that of fertilizers four times as high. However, production of sugar, salt and paper and pulp was still considerably below the pre-1945 peak.

Most major industries in Taiwan today, except cotton textiles, coal, sulphur and tea, are public enterprises. Factories owned by Japanese nationals were taken over by the Government of the Republic of China at the end of the war, and some of them, including printing houses, match and food factories and some 60 coal mines, were sold to private owners, while the rest were grouped under the management of 16 public corporations.[2] Subsequently, 9 more public corporations were established.[3]

The Four-Year Plan

Since 1949 the economy of Taiwan has borne the strain of supporting the military and civilian administration of the central government, alleviated to some extent by military and economic aid from the United States Government. Despite the increase in domestic product supplemented by a sizeable amount of donations from abroad, *per capita* disposable income in 1952 was still 9 per cent below that in 1937, following a rapid increase in population (see table 15). Since United States aid may eventually cease, Taiwan has been engaged since the beginning of 1953 in a Four-Year Plan for Economic Self-Sufficiency, which is directed mainly to increasing production of rice, chemical fertilizers and power. Economic aid from the United States is still needed, but it is thought that it can be gradually reduced and by 1957 may no longer be necessary. The general co-ordination and review of the plan is the responsibility of the Economic Stabilization Board established on 1 July 1953.

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[1] *The Structure of Taiwan Economy* (Bureau of Accounting and Statistics, Taiwan Provincial Government, 1953).

[2] These cover petroleum, power, aluminium, gold and copper, machinery, shipbuilding, cement, salt, alkalies, fertilizers, paper and pulp, sugar, tobacco and wine, camphor, etc.

[3] These cover coal, steel, agricultural chemicals, ammonium sulphate, textiles, tea, pineapples, fishery products and animal husbandry.

TABLE 15

CHINA: ESTIMATES OF NATIONAL INCOME IN TAIWAN

Million Taiwan yuan at 1937 prices

	1937	1949	1950	1951	1952
Net domestic product	842	717	760	769	807
Net income from abroad	—118	57	33	85	153
Net national disposable income	724	775	793	854	960
Population (in million)	5.6	7.1	7.6	7.7	8.1
National disposal income per capita (in 1937 Taiwan yuan)	129	109	104	111	120

Source: Bureau of Accounting and Statistics, Provincial Government of Taiwan.

EXTERNAL TRADE AND PAYMENTS

The importance of United States Aid

Since the arrival of the National Government, the island has experienced considerable trade deficits varying between one third and four fifths of total export earnings. They have been especially large since 1952, and have been financed primarily by United States Aid.[1]

Imports financed by United States Aid, accounting for less than 40 per cent of value of total imports in 1952 and about 45 per cent in the first half of 1953, consisted principally of chemical fertilizers, foodstuffs (beans and peas, wheat flour), raw materials (raw cotton and crude petroleum), cotton piece goods, medicines and drugs and capital goods. These were essential not only for the operation and expansion of agriculture and industry but also for the maintenance of the consumption level.

Commercial imports have been strictly controlled in order to balance the international accounts.

Exports

Exports have increased substantially since 1949, with the expansion of production. The major export commodities are sugar, rice, fruit, tea, tallow and wax, and salt, which together accounted for about 90 per cent of the total value of exports during 1950-53. Sugar, the most important, accounted for about four fifths of the total in 1950. Its share, however, fell to about three fifths in 1952, and rice, exports of which were negligible in 1949, accounted for 4 per cent in 1950 and as much as 15 per cent in 1952 of the total export value. During the first ten months of 1953, sugar's share increased moderately, while the share of rice fell considerably to only 6 per cent of the total value of exports.

Sugar exports, amounting to 608,000 tons in 1950, fell to a low point of 284,000 tons in 1951, chiefly because of the decline in production. The value of sugar exports in dollars, however, showed a lower proportionate fall, owing to the exceptionally low prices of sugar in 1950 and high prices in 1951. Exports of sugar rose again to 460,000 tons in 1952 and to an estimated total of 800,000 tons in 1953, as production increased, and foreign exchange proceeds from sugar export also rose. In 1953, despite the fall in world sugar prices resulting from over-production, the exchange earnings from sugar increased. At the International Sugar Conference convened by the United Nations in London in July 1953, a five-year international sugar agreement effective from 1954 was signed by a majority of the nations attending, Taiwan being assigned an export quota of 600,000 tons. Only the Cuban quota was larger.

Rice exports rose from 27,000 tons in 1950 to 85,000 tons in 1951 and 105,000 tons in 1952, as a result of an increase in production. During the first ten months of 1953 they fell to barely 28,500 tons.

During 1952 the government of the Republic of China increasingly permitted private traders to surrender their export proceeds at the rate of NT$15.55 to the dollar as compared with the official rate NT$10.25 to the dollar in order to encourage exports. A good many public enterprises were also authorized to exchange a part or whole of their export proceeds at the higher rate. Since January 1953 all export earnings by private traders or public enterprises have been exchanged at the higher rate, with the notable exception of sugar and rice, for which 20 per cent of the proceeds are still sold at the official rate.

PUBLIC FINANCE AND INFLATION

Although Taiwan was restored to China in 1945, the exchange rate between the Taiwan yuan or dollar and the fapi on the mainland was adjusted from time to time in accordance with market conditions, thus isolating the Taiwan dollar from the hyper-inflation on the mainland. However, inflation also developed in Taiwan in the early post-war years, mainly because of the low level of production and the general scarcity of consumer goods.

In 1949, when the National Government of the Republic of China moved to Taiwan, the island was faced not only with a new influx of population requiring more consumer goods, but also with the need to finance a national army and administration in addition to provincial and local governments, and a new wave of inflation developed.

The first major step by the government was monetary reform in June 1949, which replaced the Taiwan dollar by the new Taiwan yuan or dollar at the rate of NT$1 = T$40,000 and fixed a maximum limit of note issue at NT$ 200 million. This limit, equivalent to $40 million at the then official rate of exchange of NT$ 5 to the dollar, was backed by 100 per cent reserve in gold and foreign exchange.

When the new Taiwan dollar was introduced, there was in circulation a note issue of T$1,740,000 million, equivalent to NT$ 44 million. At the end of 1949, the total note issue reached NT$ 198 million, approaching the nominal maximum. During 1950-52, the note issue further increased, at an average annual rate of about 50 per cent, and at the end of 1952 it was 3.5 times the maximum limit. The rapid increase in note issue was mainly due to large borrowing by the National Government from the Bank of Taiwan on account of large budget deficits, amounting to NT$ 400 million in 1950, or 40 per cent of the total current revenue. Defence expenditure which accounted for three quarters of the total current government expenditure in 1950 was the major cause of the deficit.

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[1] In 1950 when United States aid was less than the total trade deficit, the deficiency was met largely by sales of monetary gold. For details, see special table D on "International transactions," in *infra*, section on Asian Economic Statistics.

However, as a result of tax reform, sale of surplus goods from the mainland, and sale of bonds and lottery tickets, the deficit was reduced in 1951. Meanwhile, United States Government Aid increased, financing the major part of the deficit since 1951.

Revenue from transaction and consumption taxes (including customs duty), which accounted for about one half of the total current revenue, increased considerably after 1950. A new surtax, the defence surtax, collected since 1952 as 30 per cent of the income tax, land tax, business tax and many other taxes (excluding customs duty and commodity tax), brought in a revenue of NT$ 199 million, equal to about 40 per cent of the customs duty for the year.

On the other hand, a substantial credit expansion during 1951 and 1952 coupled with the budget deficit contributed to monetary expansion which continued in spite of large United States aid imports. However, owing partly to the considerable increase in domestic production and partly to the general stability or even the fall in world commodity prices the wholesale price index declined slightly and the cost of living index was stable from April to November 1952.

During the first nine months of 1953, monetary expansion continued as evidenced by the increase of NT$ 318 million in total money supply. As United States aid imports exceeded the estimated budget deficit, this would indicate a substantial credit expansion. Both the indices of wholesale price and the cost of living rose by as much as 20 per cent during this period (see chart 17).

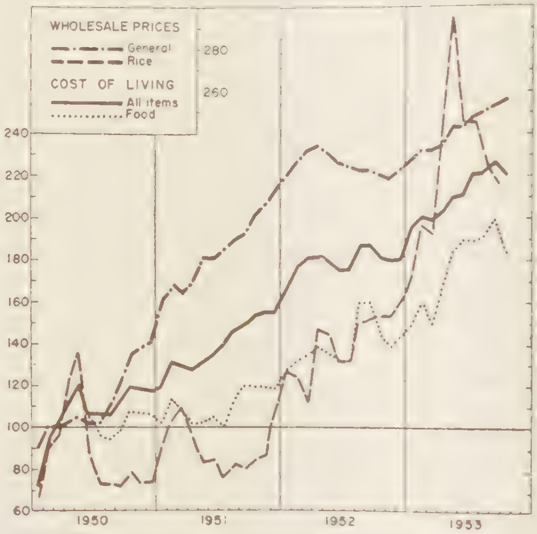
In April there was a sharp rise in rice prices,[1] which while partly seasonal, was caused by a number of factors including speculative movements following the deneutralization announcement by the United States Government, and the excessive rainfall in April and May which caused the rice harvest in certain parts of the island to be delayed. The Provincial Food Bureau exerted closer control over surplus rice stocks and distribution, and resumed rice rationing in several cities in May, while reducing the price for rationed rice. Rice prices fell in consequence, but in October were still substantially higher than in March.

CONCLUSION

The economic problems of Taiwan arise chiefly from the sudden increase of population (which increased by some 40 per cent between 1937 and 1952) and from the fact that too large a proportion of the labour force is occupied in non-productive activities, mainly military. Domestic production cannot meet domestic demand for consumption and investment without prices rising and controls are necessary; considerable foreign aid is still required. Thus, while in 1937 Taiwan invested abroad 14 per cent of its net domestic product, in 1952 despite the receipt from abroad of an amount equivalent to 19 per cent of its net domestic product, it had still a slightly lower *per capita* income. If United States aid should decline in the future, considerable adjustment in the economy would be necessary. This adjustment is the main objective of the present Four-Year Plan.

Chart 17

CHINA: INDEX NUMBERS OF WHOLESALE PRICES AND COST OF LIVING IN TAIPEI Jan-Jun 1950=100



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[1] The wholesale price index of first quality rice in Taipei (Jan.-Jun. 1950=100) rose from the monthly average of 193 in March to 234 in April and 295 in May.

TABLE 16

CHINA: SELECTED INDICATORS OF INFLATION IN TAIWAN

Million New Taiwan yuan

	1950	1951	1952	1953 Jan-Sep
Budget deficit	—526	—452	—799	—636[a]
Net imports of ECA/MSA/FOA supplies	181	500	765	889
Changes in bank loans[b]	45	192	353	..
Changes in money supply[c]	386	100	339	318
Wholesale price index (Jan-Jun 1950=100)[d]	111	183	225	241
Cost of living indev (Jan-Jun 1950=100)[d]	106	139	179	209

Source: Chinese Maintime Customs, Bureau of Accounting and Statistics of Taiwan Provincial Government, and Bank of Taiwan.

a. Three quarters of the budgeted deficit for fiscal year.
b. All banks except Bank of Taiwan.
c Changes between beginning and end of the years stated; in the case of 1953 the change between September 1952 and September 1953 is shown.
d. Average of the period.

Chapter 9.

HONG KONG

INTRODUCTION

Hong Kong's economy depends primarily on its entrepot trade. With an area of 391 square miles and a population of 2.25 million, it ranked fifth in 1950 among ECAFE countries in total value of trade, those with larger trade being China (mainland and Taiwan), Japan, India and Malaya. With deep water wharves, speed in turning round ships and repairing them, excellent storage facilities, low port dues and handling charges, and duty-free entry of most goods, it has served as an important distributing centre in the trade between China, South-East Asian countries and the rest of the world. Continuous political stability, excellent banking and insurance services and the existence of a more or less free exchange market have also facilitated its entrepot trade.

Agriculture is unimportant, as the countryside consists mainly of mountains and hills and very little of it is suitable for cultivation. The colony depends on imports for its staple foodstuffs. There exist some light industries producing chiefly for export, and accounting for about one-quarter of total exports.

EXTERNAL TRADE

Change in the trade level

The level of trade increased rapidly after the end of the war as most of the countries with which it traded recovered. However, trade with China (mainland and Taiwan), which accounted for about two-fifths of Hong Kong's total trade in pre-war years, recovered much more slowly than that with most other countries, chiefly because of the internal disturbance and economic dislocation in China; it was only about one-fifth of Hong Kong's total trade in early post-war years.

The total value of trade reached a peak during the commodity boom in 1950/51. While the tonnage of trade increased considerably in 1950, thus attaining its highest level of post-war years, the total value of trade reached the peak of HK$ 9,350 million in 1951, as a result of a substantial rise in world prices. In 1952, both total value and total tonnage of trade decreased but the rate of decrease in the former, 30 per cent, was greater than that in the latter, reflecting a general fall in world prices, especially of raw materials.

Since late 1952, owing chiefly to the gradual depletion of stocks, imports began to increase, but exports remained at a low level owing mainly to a reduction in purchases by several Asian countries which tightened their import control on account of balance of payments difficulties.

The pattern of trade

Hong Kong's trade traditionally consists of an exchange of raw materials of the Far East with the manufactured commodities of Western Europe and North America. It is mainly entrepot trade, but a large part of cereal imports is for local consumption, while locally manufactured textiles and other consumer goods form an important part of exports.

During the post-war years, Hong Kong had a trade surplus with ECAFE region excluding Japan, but a trade deficit with the rest of the world, with an over-all deficit which was partly financed by net receipts from port, banking and insurance service. Mainland China, the United Kingdom, Japan, the United States and Thailand were the major sources of imports and mainland China, Indonesia, Malaya and Thailand were the major destinations of exports.

With the general decline in total value of trade since mid-1952, the direction of trade has changed substantially. Both the absolute level and the share of trade with China had already declined on account of British restrictions and United Nations embargo on exports of strategic materials to mainland China and counter-embargo and reorientation of trade of the latter.[1] Trade in the early months of 1952 was also affected by a "five-antis"[2] campaign carried out by the Chinese People's Government among merchants and industrialists, during which both imports from and exports to mainland China were severely curtailed. Trade with mainland China fell from 27 per cent of total trade in 1951 to 21 per cent during the ten months of 1953.

Trade with the United States also declined considerably, owing to severe restrictions imposed by the United States on imports presumed to be of Chinese origin and on exports destined to mainland China. Thus the total value of trade with the United States during 1952 dropped to about one-third of its 1950 level. After lengthy negotiation, the list of local manufactures which could be shipped or brought by tourists to the United States under certification of origin was extended in May 1953. However, value of exports to the United States during the first nine months declined further and was only one-half that for the corresponding period in 1952.

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[1] See "Economic Developments in mainland China, 1949-53", *Economic Bulletin for Asia and the Far East*, November, 1953.

[2] The 'five antis' or 'Wu fan' is a movement among industrialists and traders against (1) bribery of government workers, (2) tax evasion, (3) theft of State property, (4) cheating on government contracts, and (5) fraudulent acquisition of economic information for private speculation.

Trade with Japan and other ECAFE countries also showed substantial changes after mid-1951. Imports from Japan increased considerably in 1952, while exports to Japan fell, resulting in a big trade deficit of HK$ 360 million, almost double that in 1951. This, coupled with the adverse balance with Japan of the sterling area as a whole, made it necessary to impose progressively severe restrictions on imports from Japan.[1] As a result, imports from Japan dropped by almost one quarter during the first half of 1953, and with a doubling in exports to Japan, the trade deficit fell to a very small amount. Import restrictions on Japanese goods were, therefore, gradually relaxed after April 1953.

Although total exports decreased considerably in 1952, Hong Kong's exports to several ECAFE countries, especially Indonesia, Thailand and China (Taiwan only), increased considerably. Indonesia for the first time became Hong Kong's most important customer, displacing mainland China, which fell to second place. Export to Thailand were three times those in 1951. During the first nine months of 1953, however, exports to South-East Asian countries declined; the small increase in those to Ceylon, India, the States of Indochina and the Philippines was more than offset by the large fall in those to Malaya, Thailand, Indonesia, Pakistan and Burma, owing to the tightening of import control by most countries in the latter group.

There have recently emerged within the colony a considerable number of light industries which cater for the markets of South-East Asia in particular, and an appreciable part of Hong Kong's exports to South-East Asian countries consists of local manufactures, such as cotton yarn, textiles, enamelware, torches, plastic-ware and the like. Accurate figures have recently become available for the first time regarding exports of the major items of locally produced goods. During 1952, the value of such major exports amounted to about HK$ 480 million or 17 per cent of total exports of the year.[2] During the first nine months of 1953, the percentage was raised to 22.4. Cotton fabrics accounted for a quarter of these exports.

INDUSTRY

Industry is playing an increasingly important part of Hong Kong's economy. The most spectacular expansion occurred between 1946 and 1950, when unsettled economic and political conditions in the surrounding territories led to large-scale investment, especially from mainland China, and in the establishment of a large number of modern factories. Value of total construction including that for factories and godowns reached a high level in 1950, and electricity consumption for power more than tripled between 1947 and 1950. New investment on construction for both factories and godowns and for other purposes has continued since 1951 although at a much lower rate, and electricity consumption for power further increased by more than one half between 1950 and the first half of 1953.

At present, there are some 2,000 registered factories, mostly for light industry producing a wide variety of articles, including textiles, yarn, garments, sugar, rubber shoes, plastic-wares, torches, batteries, leather goods, toys, rope and canned goods. Among light industries, textiles, the most important, includes 13 cotton spinning mills with 205,000 spindles, 130 cotton weaving factories with 4,000 power looms, and 200 knitting mills, in addition to some silk and woollen mills and a considerable number of handlooms.

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[1] As a first step, re-exports to the sterling area were stopped, then licences for cotton textiles were suspended and imports of rayon restricted to those for local consumption. Finally, in December 1952, it became necessary to suspend the import of a number of commodities including enamelware, chinaware, toys, lighters and bicycle parts.

[2] The total value of all locally manufactured or processed exports was in the region of 25 per cent of the value of total exports.

TABLE 17

HONG KONG: SELECTED PRODUCTION AND INVESTMENT INDICATORS

	Unit (in million)	1947	1950	1951	1952	1953
Industrial consumption of electricity	KWH	30	100	126	144	164[a]
Returned value of completed new buildings	HK$	..	111[b]	79	135	91[a]
of which factories and godowns	HK$	..	16[b]	9	9	7[a]
Government investment[c]	HK$	..	32	34	42	71

Source: *Hong Kong Government Gazette*, Supplement No. 4.

a. Annual rate based on available statistics for the first nine months.

b. First eleven months.

c. Fiscal year figures based on government budgets reclassified by United Nations Fiscal Division.

The only important heavy industry in Hong Kong is ship repair and building. There are two large shipyards which are equipped with up-to-date machinery for undertaking major ship repairs and which are capable of building vessels up to 10,000-tons. In addition, there are several small shipyards.

There are also plants rolling iron and steel bars and rounds from scrap to meet local construction demand. Output in 1952 was over 6,500 tons. A well equipped cement works is capable of producing 110,000 tons of high grade cement annually, for local construction needs.

PUBLIC FINANCE

Earnings and profits taxes and transaction and consumption taxes, each contributing about one-quarter of the total revenue, are the major sources of government revenue. Expenditure on defence, which used to account for a small fraction of total government expenditure, increased considerably from HK$ 2.4 million in 1951/52 to HK$ 33.6 million in 1952/53, or one-tenth of total expenditure, owing chiefly to tense international situation. Government investment expenditure, which has increased continuously in recent years, was HK$ 71 million in 1952/53, or more than double that in 1949/50.

A surplus on government account has been a normal feature, although its magnitude has declined and was only HK$ 20 million in 1952/53. In March 1953, the accumulated surplus was HK$ 285 million. It was proposed to allocate HK$ 110 million of this amount to a new Revenue Equalisation Fund, withdrawals from which would be made to meet any serious shortage of revenue or unforeseen non-recurring expenditure. The Hong Kong Development Fund was to get HK$ 10 million.

PROBLEMS AND PROSPECTS

Since the end of war, Hong Kong has been faced with the problem of rapid increase in the number of immigrants from mainland China. Population, which stood at about 1.2 million at the end of 1946, was estimated at 2.25 million at the end of 1952. This rapid increase coincided with a rise in world prices of rice; as a result, the cost of living rose by 28 per cent between 1948 and 1951. Since 1951 the cost of living has remained at this high level, while income has declined substantially because of the comparatively low level of trade. The moderate growth of industries, which are facing severe competition from Japanese imports and declining demand from many South-East Asian countries, has been too small to absorb the large surplus labour force and the problem of unemployment has become rather serious.

Hong Kong's prosperity depends primarily on the level of trade, which, in turn, depends upon world demand for and prices of primary products exported from countries in the region, and upon its trade relations with mainland China. The future of both factors is uncertain.

Chapter 10.

INDIA

INTRODUCTION

India has passed the half-way mark in its Five-Year (1951/52 to 1955/56) Plan which has, to a large extent, dominated the economic life of the country over the last two years. The country has not of course remained unaffected by the boom and recession of the period 1950-52, although their direct impact is relatively small since exports account for less than 10 per cent of the Indian national income.

The change in export prices had its main repercussions on the economy through changes in speculative attitudes which were reinforced by the previous experience of inflation in the post-war years, and its main importance has been in creating the conditions with respect to inflationary pressure and to the balance of payments in which public policy has had to operate. In 1951 fear of inflation put a limit to the scale of planned outlays; but by the end of 1952, the inflationary danger had disappeared and the domestic price level had shown a remarkable decline, partly due to the contractionist policies of the Reserve Bank. It thus became possible to contemplate a substantially higher rate of public investment and a budget deficit. The first year of the new policy was successful in that the budget deficit did not result in renewed inflationary pressures.

Action under the Plan addressed itself to immediate and urgent problems of the economy. Owing to the low productivity of agriculture, made worse by a series of bad seasons, India has had to devote a substantial part of its export earnings in the last few years to the importation of cereals and cotton, and this drain on foreign exchange, curtailing the possibility of importing equipment and capital goods on which Indian development depends, has made imperative an increase in agricultural output. Just as urgent is the rehabilitation and development of basic facilities such as transportation, as a pre-condition of any more ambitious development programme. The investment carried out in the last few years under the guidance of the Planning Commission appears now to place these first objectives within reach and India may soon be in a position to embark upon a more far-reaching attack on its long-run problems of low productivity and incomes and widespread under-employment.

DEVELOPMENTS SINCE THE KOREAN WAR

Before discussing the Plan and its progress it may be useful to indicate briefly the course of events.

The Korean war boom hit the Indian economy at a time when it was undergoing a period of secondary contraction after the peak of 1948. Thus the volume of industrial production in 1950 was below that of 1949 and substantially below that of 1948. The volume of imports in 1950 and even their value were also below the 1949 level. The reactions of wholesale and export prices to the Korean-war were relatively slow in developing. Between June and December 1950 the wholesale price index rose by only 4 per cent and export prices hardly at all. However, by April 1951 when the peak was reached, wholesale prices had risen by about 16 per cent, the industrial raw material group rising by as much as 40 per cent. Export prices also reacted strongly and rose by about 70 per cent between December 1950 and June 1951, the increase being most marked in the prices of raw materials and manufactured articles.

The government took prompt action to limit inflationary pressure which might have arisen from an increase in the value of exports. In October and November 1950, the export duty on jute hessian was raised from Rs.350 per ton to Rs. 1.500 per ton and that on jute sacking from Rs. 50 to Rs. 150 per ton, while the export duty on raw cotton was raised from Rs. 100 per bale to Rs. 400 per bale. Substantial export duties were also levied on wool and cotton waste. In March 1951, the duty on jute sacking was raised to Rs. 350 per ton. In March and June 1951, new or increased export duties were imposed on coarse and medium cloth, oilseeds and oils, and black pepper. Despite these measures and the considerable decline in government deficit in the fiscal year ending in March 1951 due to an increase of over Rs. 900 million in revenue, the season of high business activity (which in India runs from October to May) was accompanied by considerable speculative and stock-building activities which led to an unprecedented demand for money and resulted in a large expansion of credit, currency with the public increasing by Rs. 2.700 million and scheduled banks' credit by Rs. 1.730 million. This credit expansion was facilitated by the substantial surplus in the balance of payments resulting from higher export, and lower import, values. Nevertheless, the banking system had to sell government securities to the Reserve Bank in order to meet the currency demands of business.

A highly unfavourable development at the end of 1950 counteracted somewhat the rising trend of the economy. Insufficient rainfall and unfavourable weather led to a major crop failure in the autumn of 1950 which, it was estimated, reduced the domestic supply of food grains for consumption in 1951 by more than 4 million tons compared with 1950, causing famine conditions to appear over wide areas. The necessary substantial increase of food imports was largely met by the loan of 2 million tons of wheat from the United States Government in June 1951. These emergency imports accounted for the deficit which appeared in the 1951 balance of payments, as the increase in the value of imports of food grains by Rs. 1,300 million over the 1950 level was greater than the total 1951 deficit.

The government continued its anti-inflationary policy in 1951 by raising additional taxes on different types of exports and on incomes. Revenue in the fiscal year 1951/52 showed a further increase of nearly Rs. 1,200 million, and despite the increased capital outlays which marked the first year of the Five-Year Plan, the accounts for that year showed a small surplus for the first time since partition.

In view of the prevailing inflationary pressure the policy of the government in 1951 was also directed towards increasing supplies for the home market, through liberalization of imports and various restrictions on exports. Exports of various types of cotton goods and oilseeds, for instance, were made subject to licensing. As a result, the volume of exports actually declined from 1950 to 1951, while the considerable rise in the value of exports by nearly Rs. 2,000 million was exclusively the result of rising export prices.

The year 1952 was a period of adjustment, and abatement of inflationary pressure. Wholesale prices fell sharply in March 1952 and remained at low levels for the rest of the year. The value of exports, which had started declining in mid-1951, continued its downward trend, while the decline in export prices brought the terms of trade below the 1948-49 level during the major part of the year. The food crops available for consumption in 1952 had fallen short even of the low level of 1951. However, because of declining incomes, and higher food grain prices following a reduction of subsidies, apparent consumption fell by over 1 million tons,[1] thus relieving some of the strain on the balance of payments.

Changing conditions resulted in two major policy changes at the end of 1951 and at the beginning of 1952 which reflected the growing concern over the balance of payments situation. In the first place, the government turned from a policy of export restriction to one of export promotion; export duties were reduced as prices declined, and export quotas were made more liberal or abolished. On the other hand, the Reserve Bank inaugurated in December 1951 a strongly contractionist policy. While the supply of money and the level of advances had remained high during the year 1951, the Bank, by raising the rate of interest and discontinuing its open market policies which had provided an easy means for commercial banks to expand their lending operations, succeeded in tightening up conditions on the money market.

THE PLAN AND ITS EXECUTION

Scale and priorities

Even in its final form as published in December 1952, the Five-Year Plan appears rather modest in the scale of expenditure it contemplates, both absolutely and in relation to national income. An outlay of Rs. 20,000 million over a five-year period represents little more than 5 per cent of national income, which is not much more than the rate of investment prevailing before the Plan came into effect.

The scale of the Plan was however limited by two factors. In the first place, any great increase in the rate of investment, whether or not financed by inflationary methods, was bound to result in a fall in the level of consumption except in so far as foreign reserves or loans were available to finance it through a balance of payments deficit, and the government felt that, at the low level of incomes prevailing in India, any curtailment of consumption had to be avoided.

The other limitation arose from considerations of monetary policy. The draft outline of the Plan was prepared in 1951 at a time when the Indian economy was operating under the strong inflationary pressures caused by the Korean war boom, and so provision was made for expenditures of less than Rs. 15,000 million, which could be covered from internal savings, further increases in expenditure being dependent upon the availability of foreign financing. The upward revision of expenditure in the 1952 plan was permitted by the abatement of inflationary pressures; monetary stability being no longer in danger, the government was prepared to consider deficit financing. These changes in policy and circumstances are all the more important because even the lower scale of expenditure originally considered could not have been attained without substantial budgetary deficits, and progress would have been much slower if it had been necessary to avoid them altogether. By 1952 capital expenditure had already been stepped up considerably despite the fall in government revenues.

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[1] While imports declined by 900,000 tons and internal procurement by 400,000 tons between 1951 and 1952, stock-building was maintained at the same rate in 1951 and thus the distribution of cereals to rationed consumers fell by nearly 1,300,000 tons, which was more than the decline in total apparent consumption in the country.

Within these limits the Plan accords highest priority to agriculture and irrigation (including multiple-purpose projects) which together account for nearly 45 per cent of the total outlay.

This emphasis upon expanding agricultural output arises from a variety of considerations, the most important of which is connected with the balance of payments position. During the years between 1948 and 1952 imports of food grains varied between 2 and 4.7 million tons while imports of raw cotton averaged just under 200,000 tons. Together these items accounted for between 30 and 40 per cent of the total value of Indian imports (see table 18), and an increase in their domestic output would notably lessen the strain on the balance of payments and permit a shift to imports of machinery and capital goods. Owing to the unreliability of food production figures and to the considerable fluctuations in output due to the changes in weather conditions, the Planning Commission has not set down any firm target for the total production of food grains but it is hoped that the output of cereals will have risen by nearly 7 million tons towards the end of the planned period. It appears that self-sufficiency in food grains would involve replacing imports of some 3 million tons through domestic production, while maintaining the present level of consumption for growing population may require an additional half million tons a year. Thus, an increase in output of 5.5 million tons over five years would be required for self-sufficiency even without any increase in *per capita* consumption. However, an increase in production greater than 5.5 million tons would be needed if the towns and the deficit areas are to be adequately supplied from domestic output, because producers themselves are likely to raise their consumption substantially whenever an increase in output occurs.[1]

Taking into account variations due to weather conditions, which may be of the order of 5 million tons between good and bad crops, the attainment of this target would imply that India might still experience deficits in years of unfavourable rainfall but might enjoy small surpluses under favourable conditions. These increases in production are to be achieved through major and minor irrigation works, land reclamation and increases in agricultural productivity due to better methods of cultivation, application of fertilizer, and a far-reaching effort at rural development.

While the community development projects are likely to have far-reaching economic and social consequences, the scale of irrigation works is impressive: the major works under the Plan are calculated to irrigate more land than has been irrigated through major projects in the last hundred years. This stepping up of public works partly results from a different financial practice; previously only those projects were undertaken, the direct tax returns of which were sufficient to cover interest and amortisation on the investment. Now that this criterion has been abandoned, projects with far smaller direct fiscal yield have been started. A continuation of irrigation works on the present scale, after the expiration of the Five-Year Plan, may of course involve consideration of projects with even smaller returns.

The target for raw cotton output is an increase of some 230,000 tons. Since no spectacular growth of the textile industry is expected, this increase could meet the bulk of domestic requirements if the proportion of long staple fibre and if the East Indian variety produced can be increase sufficiently to meet the needs of the mills.

While outlays to increase agricultural productivity provide the most direct means of relieving the strain on the balance of payments, they also permit a more rapid rise in the level of national income than other types of investment. The Planning Commission has assumed that the capital-income ratio is 3 to 1 for the

TABLE 18

INDIA: VALUE OF IMPORTS OF FOODGRAINS AND RAW COTTON

Monthly averages

Million rupees

	Food grains (1)	Raw cotton[a] (2)	Total (1) + (2)	Total import	Foodgrains and raw cotton as percentage of total import
1948	108.1	43.0	151.1	402.3	38
1949	120.5	64.6	185.1	549.2	34
1950	67.2	72.6	139.8	465.4	30
1951	180.3	94.4	274.7	705.8	39
1952	174.7	96.2	270.9	649.2	42
1953 (Jan-Sept)	84.0	48.6	132.7	425.4	31

Sources: Foodgrains—prior to 1953: Ministry of Agriculture; 1953: Ministry of Commerce and Industry; raw cotton—Central Statistical Organization; total imports—Ministry of Commerce and Industry.

a. Including waste.

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[1] Thus, between 1949 and 1950 it is estimated that domestic production increased by 2.7 million tons while internal procurements by the government for distribution to the rationed population increased by only 250,000 tons. The producers themselves probably absorbed a substantial part of the increase, while the balance was taken up by non-producing consumers in areas not covered by rationing.

Indian economy as a whole, in other words, that an investment of Rs. 3 million is required to provide productive capacity for an annual increase of net income by Rs. 1 million. In agriculture, however, the ratio is apparently much lower, and a comparison of the proposed outlays under the Plan for agriculture, rural development, community projects and irrigation (including the multiple-purpuse projects) with the expected increases in the net value of agricultural production shows that a capital-income ratio below 2 to 1 has been assumed in the agricultural sector.[1]

The Plan emphasizes the importance of mobilizing unutilized labour and other resources by voluntary efforts, and since Indian agriculture is characterized by widespread under-employment, considerable investment in agricultural improvements is possible with very small monetary outlays. Thus community development projects may yield dividends quite out of proportion to the government expenditure on them.

Perhaps the most important reason for the emphasis on agriculture is that it occupies over 90 million people in India or nearly 70 per cent of the labour force, and any effort to raise the standard of living of the people cannot have widespread significance unless substantial improvements take place in the villages.

Next to agricultural development in order of priority are certain basic industries and services such as transport and power which are required to provide the external economies for a more rapid rate of later growth. The expenditure on social services, including education and health, which accounts for 16 per cent of the total outlay, may perhaps also be classified as preparing the way for further development. Although the government does not propose any substantial outlays for the small-scale industries and handicrafts, its policy has aimed at supporting this large segment of the economy, which employs some 15 million people, and improving its productivity.

This set of priorities allows only a small part of the planned expenditure for industrialization in a narrow sense. While a number of basic industries such as steel, aluminium and some chemicals are to be expanded, the first aim for most industries is a full existing capacity and expansion will have to be financed by private saving and foreign borrowing. Owing to the danger of inflation the government has imposed severe controls on private investment and in 1952 turned down a high proportion of the applications for capital issues which did not appear to relate to essential projects.

With its relatively modest scale of expenditure, the Five-Year Plan will not lead to any great increase in incomes, but will provide the basis for subsequent higher rates of economic development. Its aim is not to curtail the current level of consumption but rather to absorb into capital formation a high and rising proportion of any increase in the national income. Thus, while over the five-year period the rate of investment, both private and public, is assumed to rise only from 5 per cent to 7 per cent of the gross national product, the proportion should rise to 20 per cent at the end of a period of 25 years. Such an increase in the rate of investment would, under the assumptions made regarding the capital-income ratio, enable ouptut approximately to double over this period. While these assumptions are put forward by the Planning Commission for illustrative purposes only, their realization would require that high rates of marginal taxation be imposed in order to make available for public investment a substantial proportion of the increase in income generated through additional production.

Progress of the Plan

Development in the first two years of the Plan has proceeded at a fairly satisfactory rate. The priorities laid down in the Plan have in the main been adhered to, although actual outlays have fallen short of the target by some 8 per cent. There are, however, variations in performance between the different States. Some (for example, Assam, Bihar, West Bengal, Uttar Pradesh, and Hyderabad) which started rather slowly in 1951/52, have since tried to step up their outlay.

It is too soon for an appraisal of results in terms of increased output, but satisfactory progress appears to have been made in the first two years towards reaching the targets set for the different sectors.[2] However, the full benefits of many of the projects, especially power and irrigation, will be seen only in the closing years of the Plan.

Irrigation has been extended to 2.25 million acres and nearly half a million acres have been reclaimed by the Central Tractor Organization. It is estimated that out of the increase of some 4 million tons in food grains output in 1952/53, these projects may have been responsible for over 1 million tons. Additional generating capacity amounting to 315,000 kw has been installed, and the rehabilitation of railways has made good progress, reducing the shortage of transportation. The community projects are well under way, and by the end of 1952, 55 areas had been selected for their intensive development in different parts of the country. Each area represents about 300 villages with a population of about 300,000.

In the private industry sector there was some addition to capacity in the cotton textiles, cement, chemicals and engineering industries. Important projects of expansion are under way in the iron and steel, aluminium and chemicals industries. Two large oil refineries with a total capacity of 320,000 tons are being constructed.

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[1] Such calculations of course are no more than rough approximations at best. Furthermore, many of the agricultural projects included in the Plan will bear their full fruit only after the end of the Plan period, and taking this into account would further reduce the capital-output ratio.

[2] See Planning *Commission, The Five-Year Plan: Progress Report for 1951/52 and 1952/53.*

Several industrial undertakings of the government went into production during the period, such as the Sindri Fertilizer Factory, the Chittaranjan Locomotive Factory and the Indian Telephone Industries. A factory for the manufacture of heavy electrical equipment, radar and wireless equipment is under construction.

An important development was the conclusion of an agreement by the Government of India with the German combine Krupp-Demag in August 1953, for the installation of a steel plant with an initial capacity of 500,000 tons. Under this agreement the German firm is to invest a capital of Rs. 95 million and to provide technical assistance. It is estimated that the entire project will cost Rs. 720 million. Moreover, the International Bank for Reconstruction and Development has lent $31.5 million for the expansion of works belonging to a company formed, under government instructions, by the amalgamation of the Steel Corporation of Bengal, Ltd. and the Indian Iron and Steel Co., Ltd.

A development of some seriousness which might threaten the priorities in the Plan and its smooth execution if allowed to continue, is the tendency on the part of some States to incur substantial development expenditure outside the Plan, for instance on roads and buildings, as well as to spend on non-development items. These additional outlays have of course cut into the resources available for carrying out the projects agreed upon in the Plan.[1]

Although the progress of States projects is not held up for lack of finance at present, the performance of the States in raising additional revenues through taxation has not conformed to the expectations of the Plan. The tax revenues of State governments have shown some increase, mostly under land revenue (due to land reform and the abolition of the intermediaries), but the expansion remains far short of the Rs. 350 million of annual additional revenue from taxation for which the Plan provides.

On the other hand, the borrowing programme of the States has been up to expectations. In the first two years of the Plan, loans of Rs. 210 million were raised from the public, and in July 1953 ten States raised a total loan of Rs. 330 million, a sum well in excess of the amount budgetted. But taking into account the need for increasing outlays beyond the Plan period, the continuous heavy reliance on public loans may make economic development too much dependent on the conditions prevailing in the capital market.

Moreover, the States have depleted their cash balances and investment reserves to the extent of Rs. 1,500 million during the last three years, and have little more by way of reserves, while the limits of financial assistance by the Centre are being rapidly reached. The execution of their share of the Five-Year Plan may soon depend on vigorous tax measures being taken by the States.

As projects got under way, and the delays and bottlenecks of the early stages of planning, organization and supply were being overcome it became possible to increase the rate of spending. In view of the unemployment problem, the government has decided to utilize this opportunity to the full, and expenditure under the Plan will continue its steep rise: from Rs. 3,230 million in 1952/53 and Rs. 4,200 million in 1953/54, it is due to increase to Rs. 6,200 in 1954/55.

TABLE 19

INDIA: QUANTITY INDEX OF THE FLOW OF INVESTMENT GOODS

1948 = 100

	Weight	1949[a]	1950	1951	1952	1953 Jan-Jun
Imports						
Electrical goods	4.12	90	58	38	70	79
Machinery	32.94	144	101	126	101	65
Metals, iron and steel	5.21	123	148	144	147	136
Metals, other than iron and steel	8.43	82	97	51	46	51
Vehicles	13.08	53	32	41	34	22
Production						
Iron and steel	18.16	108	115	119	126	124
Cement	2.98	135	168	206	228	231
General engineering	9.91	122	149	194	171	176
Non-ferrous metal	5.15	107	111	119	105	64
Index of investment goods		112.6	102.1	113.3	104.2	89.1

GENERAL NOTES:
The index is based on the quantum index of imports published by the Reserve Bank of India and the official index of industrial production. The index numbers of the quantum of imports are based on the fiscal year 1948/49. The weights for the calculation of the index are based on the value of imports and on the selling value of production in calendar year 1948; production figures in the case of the engineering industry have been adjusted for double-counting by deducting the input of imported metals and of home produced steel.

a. Figures for import relate to the fiscal year beginning April.

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[1] States expenditure for development in 1953/54 is budgetted at Rs. 4,300 million, of which some Rs. 2,260 million is for capital formation. On the other hand, States expenditure in 1952/53 for projects included in the Plan amounted to Rs. 1,573 million as against a planned figure of Rs. 1,714 million.

Private investment

According to a rough estimate by the Planning Commission, private investment in 1950/51 amounted to some Rs. 2,250 million, or approximately half of the total gross investment of the country.[1] Any attempt to assess the total impact of the Plan must therefore take into account development in the private sector.

Table 19 which shows an index of the flow of the main categories of investment goods into the Indian economy, indicates a rather disquieting movement in the total of private and government investment. The year 1950 was one of contraction; the decline fell exclusively on imports which may also have been impeded by some procurement difficulties. The highest rate of investment took place in 1951, even exceeding the previous peak in 1949. The substantial fall in the quantum of machinery imports and in domestic engineering production in 1952 suggests that private investment took a sharp downward turn. The considerable increase in government investment in that year (nearly Rs. 500 million for the Centre and the States together) is reflected in the continuing increase in cement production,[2] and in the smaller increase in the apparent consumption of iron and steel, which are the two investment items most affected by the type of work carried out by the government.

While the fall in private investment in 1952 was probably in the nature of a short-term reaction to falling prices and the readjustment of the economy, a number of important difficulties nevertheless stand in the way of a considerable expansion of private industrial development. The capital market is narrow, and the possibilities of raising money through the issue of stock are limited even for well established concerns; conditions have been made particularly unfavourable by pessimistic expectations, reflected in the continued decline in stock prices, which has discouraged investors from taking up industrial shares. Moreover, the policy of high dividend distribution to which companies are forced by the pressure from their share-holders prevents the accumulation of substantial reserves that could be used for expanding productive facilities. In addition, in 1952, after following a lenient policy in 1950 and 1951, the government refused some of the large applications for the issue of stock; after September 1952 consents were again being granted more readily.

The Indian banking system, modelled after the British pattern, is not organized to provide long-term industrial capital and has even had difficulties in supplying industry with its working capital requirements, in 1951 because of the great rise in raw material prices, and in 1952 because of the restrictive credit policies pursued by the Reserve Bank as part of its anti-inflationary campaign.[3]

It also appears that uncertainties regarding the long-term industrial policies of the government may have had a discouraging effect on private investment.

Since private industry has been unable to raise all the capital it needs, the government has given assistance. The Industrial Finance Corporation had up to 30 June 1953 made loans amounting to Rs. 155 million to various private concerns, the amount outstanding on that date being Rs. 100 million. Loans made during the year ending in June 1953 fell, however, to the low figure of Rs. 14 million, as against Rs. 45 million in 1951/52. The corporation's powers are being enlarged and in future it will be able to make larger loans, while it is hoped that its ability to borrow abroad will be enhanced by a guarantee now given by the government to its foreign issues.

THE CURRENT SITUATION

Current trends in prices and production are the outcome of a number of contrary influences. Agriculture had a good year in 1952/53 and in the first half of 1953 industrial production as a whole was rising. Yet there were unfavourable developments; textile production by the cottage industries suffered a sharp contraction of demand early in 1953, and the contraction has since spread to the factory industry. Export prices have been falling, and firmness of home prices in the first eight months of the year has not been symptomatic of any renewed uprising of activity. Indeed, a widespread break in prices occurred in September, while government policy has swung towards export promotion and encouragement to private investors.

In investment, expanding government activity has been offset by a reluctance on the part of private enterprise to expand in step, an attitude which was already evident in 1952. Thus large government deficits were possible in 1952/53 without giving rise to inflationary pressures, and it appears that purchase of government bonds was more attractive than lending to private investors.

The unemployment situation sprang into prominence in the early part of 1953. The immediate occasion was the decline in the cottage industries, coupled with falling business activity, affecting the employment of white-collar workers, but the problem is more than sectional, and stems basically from the persistent under-employment of a growing agricultural labour force. Special measures are in train to alleviate distress in the cottage industries and among white-collar workers, while it has been proposed that the Five-Year Plan be modified to take more specific account of employment problems.

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[1] Government of India, *The First Five-Year Plan*, pp. 106-108.

[2] It is estimated that multiple-purpose projects consume 600,000 tons of cement per annum and road construction another 100,000 tons.

[3] A committee has been appointed by the Reserve Bank in particular to examine the possibility of providing on a larger scale bank finance for development in the private sector.

Production

Agricultural production: The 1952/53 season was much more favourable on the whole than the previous years, the improvement in food production and in certain other crops such as jute having more than offset some declines in cotton, sugar and groundnuts.

Increases were particularly marked in the production of foodgrains. The rice crop in the autumn of 1952 was put at 23.4 million tons, or 12.5 per cent higher than in the previous year; the wheat crop in the spring of 1953 was higher by 700,000 tons, or 29 per cent.

The production of six cereals namely, rice, wheat, jowar, bajra, maize and ragi, has gone up by about 4.7 million tons; there has also been a substantial increase in the output of barley and gram.

Consequently, the internal supply situation has improved, permitting a relaxation of food controls and a reduction in the volume of imported foodgrains. Imports from January to the end of October 1953 totalled slightly under 2 million tons, as against imports of 3.9 million tons in the whole of 1952 and 4.7 million tons in 1951. Since rationing was abolished over wide areas, both internal procurement by government and offtake from government stocks were considerably smaller in the first half of 1953 than in the corresponding period of last year. Special measures however proved necessary to relieve local food shortages.

Among other crops, cotton output declined by 2.6 per cent during the year to 3.05 million bales.[1] According to unofficial estimates, the 1953/54 crop is likely to be in the neighbourhood of 4 million bales. The jute crop, despite a 6 per cent decline in area, is slightly larger than in the previous year, at 4.7 million bales. Among oilseeds, groundnuts, the largest crop, declined by 5 per cent from 3.1 to 2.9 million tons. Sugar cane production decreased to 5.26 million tons (raw) from 6.07 million tons in 1951/52. Preliminary estimates of the 1953/54 crop indicate that the area devoted to cereals, cotton and groundnuts has increased, while area under sugar cane and jute has declined, substantially for the latter.

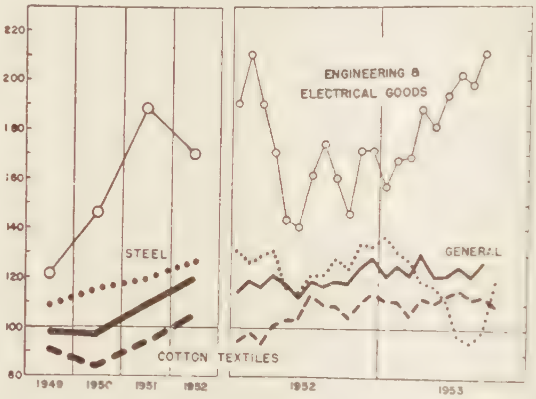
Industrial production: In the first half of 1953 the index of industrial production still showed the rising trend which had characterized its movement in previous years.[2] A record level of 130 (1946 = 100) was reached in April, and in the following three months.

There were, however, declines in demand in some sectors which led to output contractions. Cotton weaving has shown a fairly regularly rising trend since the textiles crisis of 1951, and reached its peak in July 1953, when the index touched 108. In the next three months, while production was nearly maintained, mill stocks increased by about 280 million yards, or nearly 20 per cent of the output. This sign of falling demand has been confirmed by the notice of closure put up by a number of mills in Ahmedabad in October. Since exports of cotton manufactures has shown considerable irregularities but no downward trend up to the middle of 1953, the fall arose in home market purchases. While the industry had considerably reduced its export prices in the last two years in order to meet the more competitive conditions it encountered abroad, sales prices appear to have been maintained on the domestic market: between the second quarters of 1952 and of 1953, the unit value index of cotton manufacture exports fell by 18 per cent, while in September 1953, their domestic wholesale price had risen by 5 per cent over the level of June 1952. In October the government announced the abolition of export duties and reductions in excise duties on some varieties of manufactures.

Chart 18

INDIA: INDEX NUMBERS OF INDUSTRIAL PRODUCTION

1948 = 100



Some other industries, including those producing consumer goods, maintained or expanded production in the first half of 1953, with the notable exception of jute, for which foreign demand tended to be lower. Among the capital goods industries, various branches of engineering showed divergent trends; cement output continues to rise presumably owing to increasing public investment, but coal and steel have recently shown a marked downward trend.

Coal output, after running at a high level during the first quarter and reaching a peak in April, fell by more than 15 per cent between April and August. However, it recovered partially in September.

Steel output in the first half of 1953 suffered from labour troubles at the Indian Iron and Steel Co. and from the reorganization of the Tata Steel Co. These factors alone however hardly account for the markedly declining trend in output, which by July 1953 had fallen by 30 per cent from the high level attained in January.

While the trends in the various industries are not easy to interpret, they suggest that consumption was well maintained in the first half of 1953, and only in the summer was the previous year's fall in incomes reflected n a downward turn. On the other hand, the decline in private investment which took place in 1952 appears to have continued in the first half of 1953. Imports of machinery showed a further severe fall in 1953 (their quantum index in the second quarter of 1953 was only 57 per cent of their volume in the corresponding quarter of the previous year), while the apparent consumption of both steel products and non-ferrous metals is also beginning to fall. In view of these trends the announced stepping up of government outlays under the Five-Year Plan may come just in time to avert a serious situation of falling production and rising unemployment in the economy.

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[1] Trade estimates, which are usually substantially higher than the official figure, place the 1952/53 crop at 3.4-3.7 bales.

[2] The index does not reflect changes in the cottage industry.

Unemployment

The problem of unemployment leapt to the forefront of political and economical discussion in the first half of 1953. While sufficient information is as yet lacking to obtain a clear picture of the situation in all sectors of the economy,[1] it appears that the urban and educated sections of the population as well as specific geographic areas or industries have been particularly affected by a reduction in employment opportunities.

The basic factors operative in the economy are the growth of population, accompanied by a steady and growing movement of workers from the villages to the towns, and the rapid increase in the number of educated persons seeking white-collar employment. The first factor adds between 1.5 and 2 million people to the working population each year, while the latter has assumed large proportions owing to the considerable growth in numbers of schools, colleges, universities and the like since the end of the war.

In addition to these long-term forces, a number of specific or special factors appear to have accentuated the problem of unemployment[2] such as recent difficulties in the tea industry, a decline in demand for the products of some of the engineering industries, and reduced activity in import and export trade.

Information relating to 1953 is available only for employment in the Central Government, and in the textile and coal industries.[3] In the first six months of 1953 the number of persons employed by the Central Government showed a small rise over the 1952 level. It is likely however that the curtailment of rationing has resulted in a decrease of employment in some State and local authorities.

In the textile industry, probably the progress of rationalization brought about a small reduction in the number of workmen employed in the first quarter of 1953. However, the number of workmen employed increased in the second quarter to the average level of 1952 and was even higher in July, 1953.

In the coal industry employment is likely to follow the trend in output: data for the first four months of the year, the time of peak production, show more men at work than in 1952, but employment declined in June-July.

The statistics of the employment exchanges do not provide an accurate measure of unemployment, because registration is voluntary, and there are only about 130 exchanges all over India. Despite these limitations, the increasing number of persons on the register, and the decreasing number of persons placed in employment almost from month to month since the beginning of 1952 point to a contraction of employment opportunities. At the end of August 1953, the number on the register[4] stood at nearly 500,000 as compared with 322,000 in January 1952; over the same period, the monthly number of placements declined from 31,000 to less than 14,000.

In the rural sector, the decline of cottage industries and handicrafts has been the main factor. No statistics are available on the extent of this problem, but unemployment in the handloom industry has assumed the dimensions of a major social crisis. Several other small-scale industries are known to be in a sad plight,—for example, the coir industry in Travancore-Cochin, owing to decline in foreign demand.

Since most of the new work opportunities provided by projects under the Five-Year Plan would tend to alleviate rural unemployment, without particular effect on the two most hard-hit groups, the cottage industry and white-collar workers, specific relief measures have been taken in favour of these two categories.

A two-year programme has been launched for the employment of 80,000 additional teachers, as well as a number of social workers. The Central Government will contribute 75 per cent of their salaries, provided the State governments bear the balance and undertake to maintain the schools.

With regard to cottage industries, the All-India Khadi and Village Industries Board and the All-India Handicrafts Board have been set up. Cotton mill production has been limited to 60 per cent of the 1951/52 output of dhoties and sarees, and a cess of 3 pies[5] per yard on all mill cloth except that for export, has been levied to provide finance for the handloom and Khadi industries. Several co-operative societies have been formed and grants made to non-official organizations, with a view to improving the quality and marketability of their products. Other measures to increase employment which the Planning Commission has recommended for the consideration of the State governments include: increased financial assistance to small enterprises; increased purchase of the products of Indian industry, especially cottage and small-scale industry; development of road transport, especially by private enterprise; and slum clearance and encouragement of private building.

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[1] The following special enquiries into unemployment have been initiated by the Government: sample survey of 4,000 families in the Calcutta area, sample survey on the registers of employment exchanges, sample survey of trends in migration to towns, situation in the coir industry in Travancore-Cochin, and employment aspects of power and irrigation programmes.

[2] See memorandum on *Unemployment*, by the Government of India Planning Commission, July 1953.

[3] Statistics relating to factory employment indicate that during 1952 the fall in employment was most marked in the Bombay and Madras States, and to a lesser extent in Delhi and Uttar Pradesh.

[4] Government of India, Ministry of Labour, *Indian Labour Gazette*, October, 1953.

[5] Three pies are equal to one-sixtyfourth of a rupee.

In September the government accepted a parliamentary resolution recommending a revision of the Five-Year Plan to deal with the problem of unemployment.

Price trends

Indian wholesale prices suffered a spectacular break in March 1952, bringing the general index below its pre-Korean war level. Then, after a period of relative stability, prices started rising at the end of 1952 and continued upward almost without interruption until August 1953, registering an increase of over 10 per cent in eight months.

While this firmness of the price behaviour appears to belie the signs of contraction apparent elsewhere in the economy, a more detailed analysis of the components of the index does not point to the existence of inflationary pressures as the cause.

The most significant increases took place in the groups of foodstuffs and raw materials, which rose by 18.0 and 16.0 per cent respectively between mid-December and the end of August 1953, while manufactures remained steady and semi-manufactures showed only a moderate increase, consonant with the high level of industrial activity in the first half year of 1953.

The rise in food prices, which appears surprising since agricultural production showed a great improvement in the autumn of 1952, was due essentially to three commodities, rice, gur[1] and tea, which together accounted for more than half of the 10 per cent increase in the wholesale price index. In the case of rice, the abolition of subsidies and measures of decontrol substantially affected the quotations entering into the price index. The seasonal upward movement from January to August was reinforced by this influence, and by conditions of shortage that assumed somewhat serious proportions in a few centres like Madras, despite the general improvements.

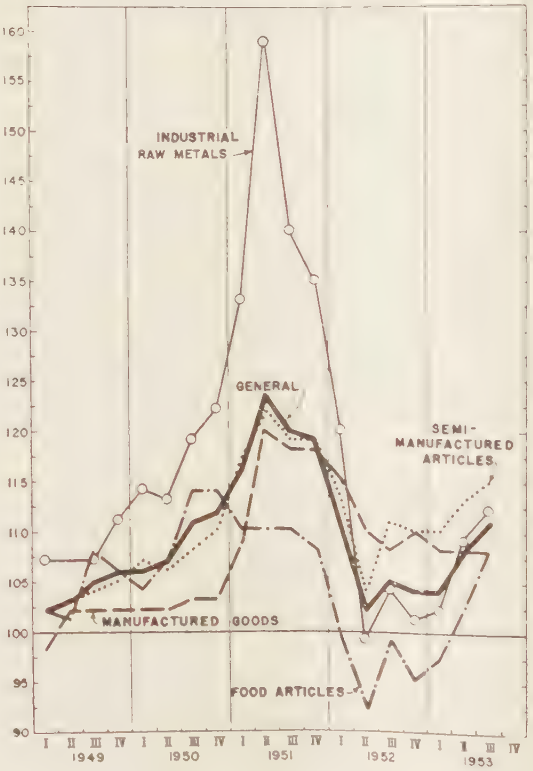
The rise in the price of gur reflects a readjustment to the price level of sugar, in relation to which gur had been abnormally depressed, while the increase in tea prices results from the trend in export prices.

Some other commodities have shown a marked increase in price: raw cotton rose nearly 40 per cent, but the rise in price of oilseeds and particularly groundnuts (more than 50 per cent) was the most important. This increase was due not only to the short crop in 1952/53 (following upon another bad harvest) and the ready purchases of oilseeds by manufacturers of soap and vegetable oil, but to a considerable volume of speculative activity and rising foreign demand and prices. The government had encouraged the export of vegetable oils by reducing the export duty on them by three quarters, and large contracts had been entered into with foreign buyers. Faced with rapidly rising prices in June, the government banned the export of groundnuts and groundnut oil, and facilitated the import of other oilseeds and oils, by reducing import duties and licensing imports more freely. These measures, together with reports of an appreciably better crop in the coming year, resulted in a break in the groundnut market, and the price fell by nearly 36 per cent between mid-August and the end of November.

Chart 19

INDIA: INDEX NUMBERS OF WHOLESALE PRICES

1948 = 100



Since industrial expansion was losing its momentun, it is not surprising that with the reversal in the seasonal trend, the wholesale price index declined by nearly 6 per cent between mid-August and the end of November this year, and at the end of November it was in fact 2 per cent below the pre-Korean war level.

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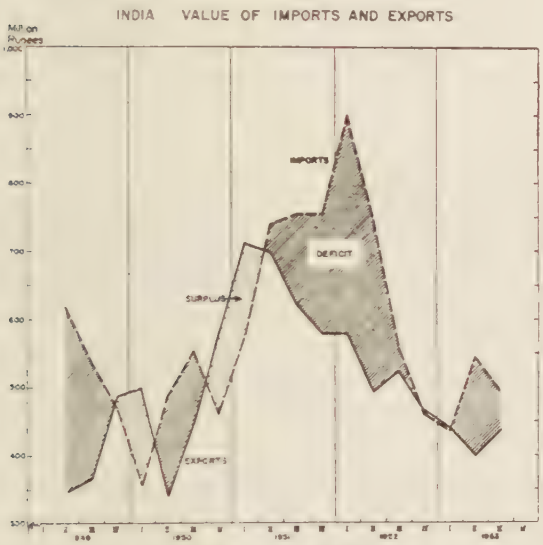
[1] Unrefined sugar.

xternal trade and payments

The value of exports had started declining after he first quarter of 1951, while the value of imports nly reached its peak at the beginning of 1952 when a igh level of commercial imports coincided with large rrivals of wheat from the United States. Imports, owever, fell off much more rapidly and by the second alf of 1952 trade was balanced. During the last uarter of 1952 and the first quarter of 1953 a small urplus appeared on trade account. But the balance did ot persist; later in 1953 the trade deficit reappeared. he export markets have remained characterized by the ow level of foreign demand for jute manufactures, rising rices for tea and tobacco and steadily falling prices vith erratic changes in volume for cotton manufactures. he downward trend in export prices has however een arrested in the second quarter of 1953, and export nit values were rising from August to August.

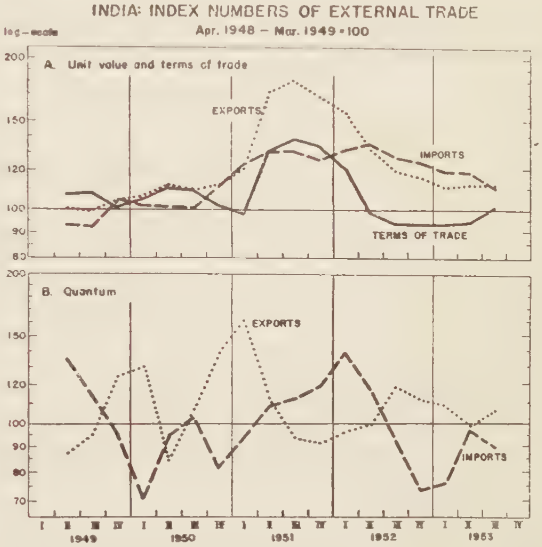
Chart 20



While the decline in the value of exports had been lue to a very large extent to falling prices, particularly of raw cotton and jute manufactures in the second uarter of 1952, the fall in the value of imports was he result of both falling prices and regularly declining uantities. In the second quarter of 1953, however, here was a break in the downward trend of import volumes, while the price fall was still continuing in August. Imports of foodstuffs more than doubled in volume as compared with the level of the previous half-year and reached a value of Rs. 370 million, as the overnment took active steps to remedy the food shortage hat had become acute in some areas.

The balance of payments reflects these changes in he value of trade. The very large deficit that occurred n the first half of 1952 when imports were at their eak was succeeded by a substantial surplus in the second half of the year, while the first half of 1953 still showed a surplus despite the rise in imports in the second quarter of the year. Thus, the foreign exchange reserves of the Reserve Bank of India, which had continued their rapid decline in the first half of 1952, recovered to the extent of Rs. 225 million in the second half of the year and improved further by Rs. 76 million in the first thalf of 1953. In the third quarter, however, the trend of the reserves was downward again, although the loss was limited to Rs. 12 million.

Chart 21



As in 1952, the main effort of trade policy has aimed at the promotion of exports. The measures taken included reduction in export duties, relaxation of export licensing, and increase in the export quota of some commodities. The export duty on coarse and medium cotton textiles was reduced in January 1953 and on fine cotton cloth in October. The export duty on jute sacking was reduced in February and on hessian cloth and bags in September; in July the export duty on miscellaneous jute manufactures was abolished. Exports of cotton textiles and certain types of raw cotton were placed on the free licensing list.

An important change in import policy has been the decision of the government to allow private imports of rice from soft currency areas. Imports of machinery, industrial raw materials (including vegetable oils) and some consumer goods have been liberalized in 1953.

The year marked an improvement in India's trade relations with Pakistan. In August 1952, an important trade agreement was signed, under which normal trade was resumed on a large scale, and it was renewed in July this year. In March 1953 this agreement was supplemented by a three-year agreement, effective 1 July, providing for the annual exchange of 1.8 million bales of Pakistan raw jute for Indian coal. Measures of a discriminatory character were eliminated at the same time on both sides, and thus major impediments to trade between the two countries have been removed.

In December India signed a five-year trade agreement with the USSR. The agreement provides for the exchange of goods to be negotiated every year, and for payments in Indian rupees, the balances being convertible into sterling on demand or on expiration of the agreement.

Public finance and monetary developments

As mentioned before the budget of the Central Government showed a small surplus in 1951/52 which was, however, followed by a large deficit of Rs. 1,906 million in the fiscal year 1952/53. This outcome was due both to an increase in expenditure and to a large decline in revenue amounting to Rs. 1,150 million. Following the trend in foreign trade, customs receipts, particularly export duties, showed the heaviest fall, but the decline in prices and commercial activity associated with foreign trade that occurred during the year was also reflected in reduced proceeds from other taxation, both direct and indirect, as well as in a fall in net railway receipts. On the expenditure side, the rise in defence outlays and in a number of current account items was less important than the increase in direct investment and in loans and advances to the States, these last two items accounting for Rs. 500 million out of a total increase in expenditure of Rs. 750 million.

TABLE 20

INDIA: FINANCING OF 1952/53 BUDGET DEFICIT

Million rupees

		States	Total
Deficit	1,786.6	691.7	2,478.3
Domestic borrowing (net)	514.1	521.7	1,035.8
Foreign loans and grants	444	—	444
Decrease in cash balances	828.5	170.0	998.5

Source: United Nations Fiscal Division and Reserve Bank of India.

GENERAL NOTES:
To avoid duplication, loans and grants from the Central Government to the States and transfers of interest from the States to the Central Government are excluded from the States' figures. The deficit of Central Government has been adjusted to include credits under the annuity for sterling pensions, receipts for sale of war surplus stores and under State trading schemes (net) and net payments under "remittances". The deficit of State governments has been adjusted to include receipts under State trading schemes and payments for compensation to landlords, remittances, and "other financial transactions" including transfers to contingency funds. The unadjusted deficits for 1952/53 of Central and States Governments amounted to Rs.1,905 million and Rs.662 million respectively.
Source: Reserve Bank of India.

One of the most significant features of the economy in 1952/53 was that a deficit of this size in the government accounts (and the budgets of the States also showed a deficit of nearly Rs. 700 million during the same period) did not lead to any inflationary pressures or even to any monetary expansion, even though there was no large-scale balance of payments deficit to absorb domestic purchasing power: in fact, between the end of March 1952 and the end of March 1953 there was no change in the foreign assets of the Reserve Bank of India and there was a small contraction in money supply by Rs. 320 million.[1]

This monetary development was due essentially to three factors. In the first place foreign financing played a substantial role, rupee proceeds from loans and grants having yielded the government over Rs. 400 million[2] to which should be added some Rs. 40 million in drawing from International Bank loans and other foreign borrowing.

Secondly, private savers showed considerable willingness to absorb public debt. Total government net borrowing, both domestic and foreign, was almost Rs. 1,500 million, more than two thirds of which was

TABLE 21

INDIA: CHANGES IN MONETARY INDICATORS BETWEEN MARCH 1952 AND MARCH 1953[a]

Million rupees

Foreign assets of Reserve Bank	+ 6.1
Indian Government securities held by	
Reserve Bank	—207.5
Scheduled banks	+ 72.4
Government deposits with Reserve Bank	—495.9
Money supply	
Currency in circulation	— 79.9
Demand deposits of scheduled banks	—334.1
Time deposits of scheduled banks	+283.2
Outstanding credits of scheduled banks	—514.5

Source: Reserve Bank of India.

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1. These officially reported figures for money supply require qualification; actual currency in circulation fell by the insignificant amount of Rs.80 million, and total deposits of the public hardly changed at all. There was, however, a significant shift from demand deposits, which are counted as part of the money supply, to time deposits, which are not.

2. This figure corresponds to the receipts of the Special Development Fund into which were paid the proceeds from the United States wheat loan, Colombo Plan and TCA aid. Although the US wheat loan involved a debit of over Rs.900 million in the capital account of the balance of payments, its total yield was less than Rs.740 million over the two fiscal years 1951/52 and 1952/53.

supplied by the Indian public. There was no net borrowing from the banking system and in fact the value of government securities held by the Reserve Bank declined far more than the increase in scheduled banks' holdings. It may, therefore, be concluded that over Rs. 1,100 million of savings was supplied by the public to the government in the form of either small savings of various types or through the purchase of old or new issues of government paper.

Thirdly, the government still had to finance over Rs. 800 million of its deficit through drawing on its cash reserves, a large part of which appears as a decline in government deposits with the Reserve Bank. While this movement could have been expected to lead to a substantial increase in currency in circulation, it was offset by a contraction of commercial credit which was a reflection of the decline in prices and financial activity and of the more stringent monetary policy which had been adopted towards the end of 1951 by the Reserve Bank of India. The net result of these influences was that, while total deposits and currency in the hands of the public hardly showed any change, the volume of scheduled banks' credit declined by over Rs. 500 million between March 1952 and March 1953.

For the fiscal year 1953/54 an even larger deficit is expected in the Central Government account, as revenue is expected to remain practically unchanged while expenditure will continue rising steeply. Lending and investment are expected to increase by Rs. 550 million over the 1952/53 level and account for the bulk of the Rs. 600 million increase in the anticipated deficit, and the measures taken by the government to economize by the abolition of subsidies which accounted for more than Rs. 200 million in the previous budget, will be offset by rises in the defence budget and in a number of other current account items, some of which are hardly connected with the Five-Year Plan.

While it is still too early to measure the impact that the new budget will have on the Indian economy, two factors may considerably decrease the impact of the prospective deficit. In the first place, government securities continue to find ready market; while the 1953/54 budget made provision for repayment of Rs. 188 million of the permanent debt, the government succeeded in June 1953 in raising Rs. 750 million on a National Development Loan of which Rs. 232 million was new money. This favourable development, of course, has its counterpart in the difficulties noted above which private industry is encountering in meeting its financial requirements. Secondly, foreign loans and grants already made but not yet utilized amount to over Rs. 1,100 million and their use should ease considerably the burden on the Indian economy.

While sharp seasonal fluctuations in financial activity make it particularly difficult to interpret monetary developments over a short period, the data available for the first few months of the fiscal year 1953/54 do not indicate that greater government expenditure has created any renewal of inflationary pressures. A comparison of the seasonal variation of this year and of the previous season suggests that monetary contraction continues, though at a much slower rate when the full impact of the drastic price reductions of the spring of 1952 was being felt. It is notable that in the seasonal downswing from May to September, currency circulation has fallen a little more than it had increased in the upswing and that this has by no means been made good by an increase in demand deposits. Bank credit is back where it was a year ago, and while the commercial banks are a little less liquid, they have increased their holdings of government securities. This monetary stability has, however, been assisted in the summer of 1953 by the small decrease in the foreign assets of the Reserve Bank and by a somewhat surprising increase in government deposits. The beginning of the busy season (October and

TABLE 22

INDIA: SEASONAL VARIATIONS IN MONETARY INDICATORS

Million rupees

	Busy season of 1951-52 27 Oct. 1951 to 11 April 1952	Slack season of 1952 12 April to 26 Sept. 1952	Busy season of 1952-53 25 Oct. 1952 to 8 May 1953	Slack season of 1953 9 May to 25 Sept. 1953
Currency with the public	+ 454	— 874	+1,089	—1,152
Demand deposits of the public[a]	— 370	— 306	— 217	+ 14
Total money supply	+ 84	—1,180	+ 872	—1,138
Time deposits of the public	— 59	+ 316	+ 88	+ 80
Scheduled banks				
Loans and advances	+ 957	—1,075	+ 781	— 762
Cash and balances with the Reserve Bank	— 323	+ 156	— 282	+ 106
Borrowings from the Reserve Bank	+ 420	— 401	+ 245	— 237
Investments in government securities	— 196	+ 132	— 138	+ 331
Central Government deposits with the Reserve Bank	— 466	— 25	— 396	+ 383
Foreign assets of the Reserve Bank	— 812	— 254	+ 260	— 199

Source: Reserve Bank of India.

a. Including State Governments deposits with the Reserve Bank.

November 1953) shows a small expansion in money supply, entirely due to the decline in government deposits with the Reserve Bank, while the banking system was still increasing its liquidity with larger cash and reserves and a slightly lower volume of loans.

These facts suggest that there was at the end of 1953 no danger of inflation, since higher government spending continued to be offset by the attitude of the private sector.

PROSPECTS AND POLICIES

So far, rising expenditure on the Five-Year Plan has caused neither monetary disequilibrium nor balance of payments difficulties. Availability of foreign resources, lack of private investment activity and the problems of organization which have slowed down government investment may account for this stability, but there is room and need for an increase in investment, since the present level of expenditure seems insufficient to maintain industry operating at full capacity. The Minister of Finance announced in November 1953 a decision to increase public expenditure connected with the Plan to Rs. 6,250 million per year in 1954/55 and 1955/56, a rate approximately double that of 1950/51 and 1951/52. While a higher rate of government investment would increase the budgetary deficit, there appears little danger at present that serious inflationary consequences would ensue, and it appears that efforts to accelerate the work of government planning and executive agencies might well be combined with measures to stimulate private industrial investment.

This conclusion is reinforced by a consideration of the labour situation. While the Plan by no means exhausts the possibilities of progress in agriculture, there are limits to the rate of useful investment in that sector arising from the limitations of supply of trained personnel capable of assisting in the introduction of new techniques. Furthermore, even if greater efforts could be put into increasing agricultural output, this would be unlikely to absorb the under-employment of the rural areas, which is the core of the employment problem. In most cases, improvement in production methods will prove to be labour-saving, and with the present small size of holdings increased population on the land is likely to be a drag rather than a spur to higher yields. On the other hand, the professions are over-crowded and industrial employment prospects are unfavourable. Thus, although agricultural development has so far provided the quickest and most economical means of raising national income, and has at the same time provided some relief to the balance of payments, it seems that attention must turn once again to industrial development now that a substantial number of agricultural schemes have been successfully launched, and that, as mentioned above, lower returns may be encountered in a continuation of large scale irrigation works.

In this field there are some serious problems. The first Five-Year Plan has made a beginning in providing some of the requirements for the development of industry on a large scale—such as power and transport facilities. Certain industries essential to the progress of the Plan, such as fertilizer production, have now been established, and other basic industries of long standing, such as steel and coal mining, are being expanded. However, neither government enterprise nor large-scale private industry, while unavoidably making substantial demands on India's scarce resources of capital, appears capable of absorbing the large numbers of workers presently unemployed or under-employed.

While both government investment and foreign capital inflow need to be increased to supply the types of industries and facilities for which the Indian business community does not have either the resources or the technical experience, greater attention should perhaps be given to providing the incentives and the means for the development of the multifarious types of enterprises which can be started only by local private initiative.

Such enterprises are best fitted to alleviate the employment situation, but while their capital demands are low, their productivity is equally low and they contribute to increasing per capita incomes only to the extent that they absorb unemployed resources. Co-operation between the government and private enterprise has by no means reached its limits. The operations of the Industrial Finance Corporation have been on a small scale, while government control over private investment has often acted as a brake, which may have been justified when inflation was threatening but has since lost its justification. Moreover, present policies of tariff protection for industries which it is desired to encourage might require to be supplemented by some form of guarantee of steadier markets. In the conditions prevailing in India, government research might play an important role in developing techniques of production that are capital-saving rather than labour saving, in order to encourage small-scale enterprise.

While such co-operation between government and private firms should in the long run provide the most economic basis for developing the economy, there may be little that the government can do in the short run to create a more enterprising attitude among private investors. Until such a change does occur, the main burden of ensuring a higher rate of investment will fall upon the government, and one of its main problems will be to develop the flexible institutions that such a policy requires. At the same time, the machinery of co-operation that has been established between the Central Government and the States will need to be maintained and strengthened if the fundamental objective of directing into investment a large share of future increments in national income is to be secured.

Chapter II.

INDONESIA

INTRODUCTION

The Korean war boom caused serious inflation in Indonesia. Improvement in the terms of trade and expansion of exports led to a considerable rise in money, and also in real incomes, widely distributed through wage increases and rising prices of home-produced goods. Production, though responding to this stimulus, barely exceeded the pre-war level, and production *per capita* did not reach the pre-war level. The supply of consumers' goods in particular did not keep up with increasing incomes, and rising expenditure led to strong upward pressures on prices.

The collapse of the boom brought readjustment problems springing from the widespread need for retrenchment, while inevitable delays in adjusting the government's fiscal policy led to large budgetary and balance of payments deficits.

The principal problem now confronting the government is the adjustment of levels of consumption and development spending to the volume of productive resources available in the economy which can now be supplemented only by a reduced volume of foreign exchange earnings.

PRODUCTION

Neither agricultural nor industrial production was quick to recover after the war; imports of capital goods were less than pre-war, while unsettled conditions and labour difficulties prevented rapid progress. Only in 1951, under the stimulus of the Korean war boom did most branches of production reach the pre-war level, and progress since then has been uneven, a number of export crops showing little advance and others even a decline.

However, during 1951 and 1952 capital expenditure by the government increased rapidly; imports of capital goods reached the pre-war level in 1951, and exceeded it in 1952, though still accounting for only 18 per cent of the value of imports, as against 20 per cent before the war.[1] The value of capital goods imports continued to expand as the flow of deliveries increased against 1951 and 1952 orders in the first nine months of 1953.

The country is more settled, and industrial disputes, which cost 7.8 million man-days in 1950, fell to less than a million in 1952 and were at an annual rate of about 100,000 man-days lost only in the first half of 1953; a bill now in preparation is expected to consolidate this improvement in labour relations.

Labour costs are now much higher than pre-war; for example, it is estimated that in 14 industrial groups the number of employees in 1951 had risen to 70 per cent above that of 1940 with wages and salaries 10 times as high, but with labour productivity below that of 1940, in some cases as low as 50 per cent.[2] Other scattered data suggest that money wages (including various benefits) may have risen between ten and thirty times compared with pre-war. Prices are also much higher; in the home currency, between twenty and thirty times the 1938 level. Reckoned in dollars, this is a rise of three to five times, as compared with a two or three fold increase in international prices. These increases have handicapped export industries and those producing goods in competition with imports, but the concurrent rise in incomes has stimulated demand for home-produced goods protected by high import duties and import restrictions.

Industry

In 1953 economic difficulties led to a cut of 41 per cent in budgetted funds for capital expenditure, but the rate of physical investment did not fall so drastically since capital goods ordered in 1952, before the cut, were delivered in 1953. Among government-owned factories being erected under the Emergency Industrialization Programme and now nearing completion are a printing works, plants for remilling rubber,[3] a desiccated coconut factory,[4] glass factories,[5] and a spinning mill.[6] Provision of cheap credit and even of factories by the government is helping small private firms.

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[1] The share of capital goods in total imports was, however, nearly 24 per cent in 1949, owing to exceptionally large imports by the oil companies.

[2] *Java Bank Report, 1952/53*, p. 177.

[3] Three out of the five factories erected in 1952 should start production towards the end of 1953. The total productive capacity of the five factories is 7,200 tons per year.

[4] This factory started production in January 1953 with an output of 7,000 tons a year working in three shifts. This is the first coconut factory to be established in Indonesia.

[5] The original plan called for 10 factories, but by the middle of 1953 at least eight more private factories had been established using broken glass. During 1953 at least three factories have switched from using broken glass to original raw materials.

[6] The machinery for the 30,000-pindle unit arrived in late 1952 and the factory should start production around the middle of 1954.

Only scattered indications are available on the restoration of productive facilities in private undertakings. Considerable increases both in capacity and output have been registered in a number of industries, such as textiles, tyres, radios, light bulbs and cigarettes. With increases in capacity, textile piecegoods output increased from 23 million metres in 1951 to 29 million metres in 1952 and to an annual rate of 41 million meters in the first half of 1953. There were similar increases in output of other textiles such as sarongs and towels.

Food

In 1951/52 most food crops approached or exceeded the pre-war level and in the next crop year rose further (see table 23). Several factors contributed to this increase. The area devoted to food crops was larger because the prices of these had risen relatively to that of other crops, the weather was favourable, and the government distributed fertilizers cheaply, provided improved seeds, undertook the repair of irrigation canals and the control of plant diseases and posts, and made special efforts to expand both wet and dry rice cultivation.

Although in 1952 fertilizer imports were barely one-quarter of their 1938 volume, the area of rice cultivation on which chemical fertilizers were used increased from 15,000 to 65,000 hectares in the course of 1952, while the area where green manure was used increased from 20,000 to 36,000 hectares. In the first nine months of 1953 it was about 20 per cent more than the average in the whole of 1952. One million hectares of irrigated land, 25 per cent more than in the previous year, were planted with improved varieties of rice in 1952, but government seed farms, though they more than doubled in number in the last few years, still cannot provide enough seed for the 2 to 3 million hectares of suitable irrigated land.

TABLE 23

INDONESIA: PRODUCTION INDICES OF SELECTED FOOD CROPS

(pre-war average = 100)

	1950/51	1951/52	1952/53	1952/53 ('000 tons)
Rice (paddy)	86	92	97	9,663
Maize	93	98	109	2,666
Sweet potatoes and yams	111	115	123	1,800
Cassava	99	104	109	8,232
Soybean	106	112	115	278
Groundnut	98	103	87	256

Source: FAO.

Although rice production has increased significantly in 1951/52 and 1952/53, 530,000 tons were imported in 1951 and 760,000 tons in 1952, accounting for nearly three-quarters of the value of food imports. The increase in rice imports was stimulated by increased purchasing power in the hands of the consumers and favoured by the effort of the government to curb inflationary pressures through an increase in the supply of consumption goods. In the first nine months of 1953, rice imports were continuing at the rather lower annual rate of 400,000 tons.

Production for export

There have been striking developments compared with pre-war in the share of exports taken by the three major export commodities, rubber, tin and petroleum. Rubber exports accounted for a much larger share partly because of greatly increased production and partly because of sharp price increases. The same factors have raised the share of tin in the total value of exports; but in the case of petroleum, increases in quantity rather than in price have been the determining factor. In 1951 these three commodities together accounted for about three-quarters of the value of exports whereas in 1938 they only accounted for about half.

In contrast, the share in exports of such staples as sugar and tea have declined, and the same applies to most of the minor export commodities such as coffee, tobacco, quinine, hard fibres, tapioca, pepper and spices, kapok, timber and coal. Production of these commodities is lower, largely because of a failure to recover from the effect of war, but partly because labour costs have been rising sharply, and partly because much land which previously was used for their production is now used for rice for the home market.

Rubber: In 1951 rubber production equalled nearly twice the production in 1949, and was more than double the 1938 production.[1]

TABLE 24

INDONESIA: PERCENTAGE DISTRIBUTION OF TOTAL EXPORTS BETWEEN PRINCIPAL COMMODITIES

	1949	1950	1951	1952	1953 (Jan-Sep)
Estate rubber	11.4	12.0	17.1	23.8	18.2
Native rubber	12.7	31.4	34.8	27.4	17.7
Petroleum ..	28.5	18.9	13.2	19.8	24.6
Tin	11.7	6.3	6.4	9.4	9.7
Copra	10.8	7.4	10.2	5.6	6.3
Tea	3.7	3.5	2.9	2.6	2.8
Others	21.1	20.5	15.3	11.3	20.7

Source: Central Bureau of Statistics.

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[1] It may be noted that pre-war output of rubber was artificially low owing to the international rubber restriction scheme.

This sharp increase was due largely to a rapid expansion of production on small holdings in response to price increase consequent on the Korean war and later to increases in estate production of rubber which reacted less promptly to the stimulus of higher prices. Small holders' rubber output more than doubled between 949 and 1951, whereas the output of estate rubber increased by only one-third. However, in 1952 production of small holders' rubber decreased by 23 per cent and its exports which had been at 550,000 tons in the previous year, fell by 18 per cent, while production of estate rubber rose by 30 per cent and its export by nearly 50 per cent from about 200,000 tons to nearly 00,000 tons. In 1953 the estates output was maintained while smallholders production declined further; prices in the middle of 1953 were 20 per cent below those of mid-1952 and were at levels comparable with those prevailing before the outbreak of the Korean war. In the second half of 1953 (November) prices fell by another 5 per cent. Export duties were reduced by steps in the second half of 1952, remained at about the pre-Korean war level and were again reduced slightly in the third quarter of 1953.

The estates are confronted with rising cost of production, mainly through increase in money wages. According to an estimate of the Java Bank the cost of production of estate rubber in 1952 was approximately double the cost in 1951. Despite some rise in labour productivity and an increase of 50 per cent in the local currency value of exports as a result of devaluation early in 1952, many rubber estates no longer cover their full costs. This situation is all the more serious since the need for investment in the industry is acute. Owing to the pre-war restriction scheme, the war, and the unsettled conditions of the last few years, only an insignificant percentage of the trees are less than 20 years old. Under present cost-price relationship the industry continues to live on its capital.

Copra: Exports of copra, which had been recovering rapidly since 1949, nearly reached the pre-war volume in 1951, but fell rapidly in 1952 and in the first half of 1953, partly due to the reduction in output and partly due to the increase in domestic consumption. The Copra Fund had prevented the sharp fluctuations in the world market price from having their full effect on domestic prices; the spread between its buying and selling price was increased in the boom, and reduced in the recession. However, the Copra Fund allowed the fresh rise in price of copra towards the end of 1952 and early in 1953 to affect domestic prices more directly: the buying price was raised by more than 50 per cent in less than a year, or about as much as the export price.[1] Partly as a result, the volume of exports in the third quarter revived and was slightly above the 1952 average and about 40 per cent above the corresponding quarter of 1952.

Tea: Production and exports of tea from Indonesia, even in 1951 when exports reached their peak, were nevertheless very much below pre-war, because of unrepaired war damage, disturbed conditions and the blister blight disease. In 1951/52 exports were 57 per cent below, and in 1952/53, 66 per cent below the export quota fixed by the International Tea Agreement. The volume of export in the first nine months of 1953 averaged 10 per cent below 1952. As in the case of rubber production, the estates are faced with growing difficulties due to the continuing rise in wages which has upset cost-price relationships and discouraged new investment. Indonesia has difficulties in competing in world markets even though the general export duty was abolished in April 1952.

Sugar: The problems of the sugar industry in Indonesia are centred around difficulties of rehabilitation and restoration of law and order. Labour disputes and strikes, rising money wages,[2] and difficulties in leasing land from peasants because of the greater profits from

TABLE 25

INDONESIA: INDEX NUMBERS OF TOTAL VALUE, QUANTUM AND UNIT VALUE OF SELECTED EXPORTS

1949 = 100

	1950	1951	1952	1953[a]
Estate rubber				
Value	159	366	370	249
Quantum	110	132	192	194
Unit value	144	277	192	128
Native rubber				
Value	371	665	379	216
Quantum	210	235	194	160
Unit value	177	283	196	135
Petroleum				
Value	99	113	123	134
Quantum	103	106	130	165
Unit value	96	106	94	81
Tin				
Value	81	134	142	129
Quantum	101	103	117	104
Unit value	80	131	122	124
Copra				
Value	103	231	91	91
Quantum	93	166	109	86
Unit value	112	139	84	106
Tea				
Value	142	193	123	121
Quantum	132	190	150	134
Unit value	108	102	82	90

NOTE: Compiled by the Secretariat of ECAFE on basis of national trade statistics.

a. Jan-Sep at annual rate.

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[1] By March 1953 it was Rp.140 per 100 kg as compared with Rp.90 per 100 kg in August 1952.

[2] Money wages on the sugar estates in Java at the end of 1952 were 12 per cent and 460 per cent above the 1951 and 1949 levels respectively.

rice cultivation have all contributed to the low level of estate production. Recovery in sugar cultivation was quite slow until 1953 and in 1952 the area under factory sugar was only about half that in 1938, and productivity per hectare has fallen by over 40 per cent: as a result, sugar output was 458,000 tons in 1952, as compared with 1.4 million tons in 1938, and exports—which reached 1.2 million tons in 1938—were insignificant in 1952. The government has taken a series of measures to encourage sugar cane production both by estates and by small growers and not without some success: the area devoted to cultivation by small growers rose in 1952 to about 20,000 hectares as compared with 12,500 hectares in 1937. In 1953, production of factory sugar increased to 615,000 tons because of increased planting and improved security, and in 1954 production is expected to reach 800,000 tons. Since domestic requirements of sugar amount to about 450,000 tons, exports on a significant scale have begun in 1953.[1] Exports of sugar in the third quarter 1953 rose sharply to 34,000 tons as compared with about 3,000 tons in the whole of 1952. During the second half of 1953, 100,000 tons of factory sugar were exported or contracted for early delivery.

Tin: Production and exports of tin-in-concentrates had already exceeded the low 1938 level before 1950 but failed to respond to the threefold price rise during the Korean war boom. Nor has tin output been much affected as yet by the price declines which had, by August 1953, brought the world price slightly below the average of 1949, because the tin agreement signed with the United States in 1952 has kept the price of exports to the United States which constitute about half of total exports at $1.18 per lb f.o.b. Djakarta.[2] A downward price adjustment is expected for 1954.

Cost increases do not set so acute a problem in the tin industry as in the agricultural estates; between 1949 and mid-1953 money wages in the tin mines increased by 50 per cent only. Nevertheless, there has been no investment in tin mining other than replacement and some deepening of the older mines on Billiton island. Prospecting is continuing but so far no discovery of tin deposits has been made.

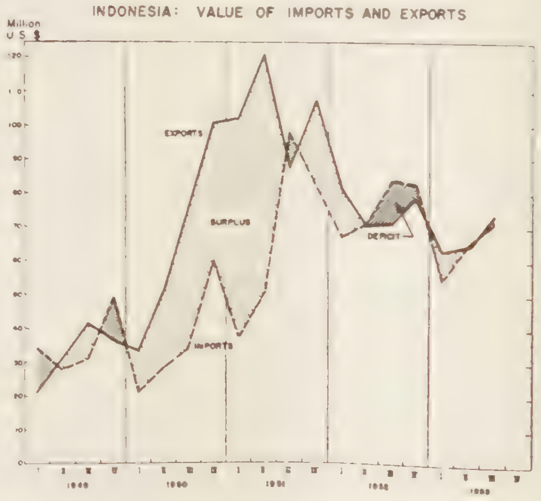
Petroleum: Successful rehabilitation of the petroleum industry and the import of crude oil for refining[3] made it possible to increase production and exports of petroleum products, and in 1953 they exceeded the 1938 level by nearly 50 per cent. Investment by the petroleum companies has been at a high level; large quantities of capital goods were imported in the early post-war years and significant amounts in 1951 and 1952. Under the "let alone" agreements, the petroleum companies were excepted from exchange control, keeping whatever foreign exchange they earned but also providing foreign exchange for rehabilitation from their own resources[4] The "let alone" agreements with two of the oil companies expired on 1 January 1952 and were not renewed, while the agreement with Bataafsche Petroleum Maatschappy will expire on 1 January 1956.

While the companies income tax was raised in 1952 from 40 to 52.5 per cent, the special duty of 15 per cent levied on petroleum exports was abolished at the end of the year and the sums previously collected were refunded.

BALANCE OF PAYMENTS

The main reasons for the considerable fluctuations which have taken place lie in the variations in prices of Indonesia's major exports. There is normally a deficit on invisibles so that an export surplus is necessary to balance the current account. But export surpluses were only secured in 1950 and 1951, the boom years; in 1949, 1952 and 1953 there were deficits.

Chart 22


INDONESIA: VALUE OF IMPORTS AND EXPORTS

The deficit on account of goods and services in 1949 was large, and indeed was equal to almost 40 per cent of the value of exports, though the adverse trade balance amounted to only about 4 per cent of the value of exports. A major step towards the correc-

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[1] The Indonesian delegation at the International Sugar Conference held in London in August 1953 tried to obtain quotas of 400,000 tons, 550,000 tons and 700,000 tons for the following three years. Under the terms of the proposed International Sugar Agreement, which was prepared by the conference, Indonesia was given a basic export allocation of 250,000 tons, but Indonesia has not accepted the agreement.

[2] Indonesia agreed to deliver 18,000 tons of tin per year with an option to sell a further 2,000 tons on the same terms. If, however, there should be a decline in production, the total deliveries need not amount to more than 58 per cent of production. The price of $1.18 per lb. f.o.b. Djakarta is equivalent to £965 per long ton in London. The price prevailing in August 1953 in London averaged £595 per long ton.

[3] Crude oil was imported in order to keep the refineries in full operation when domestic output of crude oil was low in the early post-war years. This profitable practice has been continued even though production of crude oil in 1952 has surpassed pre-war.

[4] Contrary to popular opinion. the operation of this agreement has not been detrimental to the balance of payments position. An estimate of the foreign exchange receipts and expenditures of the oil companies between 1945 and 1951, excluding transfers of profits and amortization, gives an excess of foreign exchange expenditure over foreign exchange receipts of Rp.145 million. Source: *Report on Indonesia's Balance of Payments* submitted by the Minister of Finance to Parliament in December 1952, reprinted in *Economics and Finance in Indonesia*, January 1953.

TABLE 26

INDONESIA: BALANCE OF PAYMENTS

Million dollars

	1949	1950	1951	1952	1953[a]
xports (f.o.b.)	424	777	1,257	886	766
mports (c.i.f.)	—439	—443	—855	—977	714
rade balance	— 15	334	402	— 91	52
et services[b]	—144	— 94	—223	—162	—136
alance on account of goods and services	—159	240	179	—253	— 84

ourc: IMF; net services for 1953: Consultative Committee on Economic Development in South and South-East Asia.

ENERAL NOTE: No sign indicates credit; minus sign indicates debit. Rates applied for dollar conversion: 1949: US$0.287 per rupiah; 1950, 1951: US$0.263 per rupiah; 1952, 1953: US$0.087 per rupiah.

a. Half year at annual rate.

b. Including private donations.

ion of this position was taken in March 1950 when a ystem of exchange certificates was introduced which as tantamount to a devaluation of the currency, comined with additional discrimination against imports. n 1950 and again in 1951 the balance on account of oods and services improved and showed a surplus.

Nevertheless the system of multiple exchange rates vas maintained and even developed by the introduction f a slight element of discrimination against dollar mports and in favour of dollar-earning exports. Apart rom this action, there was no change in the effective ate of exchange for either exports or imports and thus he government took no special steps to draw additional evenues from the export boom.

Meanwhile the internal situation had been developng in a rather unfavourable way. In 1951 substanial inflationary forces generated by the rise in the value of exports made themselves apparent; in 1952 the large government deficit maintained high levels of income and the balance of payments began to go sharply into leficit. In February 1952 the government did away with the system of exchange certificates except for dollar rade and at the same time devalued the currency. However, prior to devaluation, the system of exchange certificates had maintained effective rates of exchange differing from the official rate, and the effect of devaluation for imports was merely to bring the effective rates and the official rates together, so that the domestic prices of imports were unaffected and demand for them not reduced by price effects. Devaluation did increase the domestic currency value of export earnings, but this did not all accrue to the private sector, for additional export duties were imposed on a number of important commodities and cusoms yields increased sharply.

However, as the year progressed it became apparent that full control had not been secured and in August 1952 there was a reversion to a system which is equivalent to a multiple exchange rate, import surcharges ranging from 30 to 200 per cent being imposed on wide groups of commodities according to their degree of essentiality. In the third quarter of 1953, in order to promote exports, the system of inducement certificates was again introduced for rubber, cattle, leather, rattan and handicrafts. Exporters of these commodities received certificates averaging 10 per cent of the export value and against which import licences for luxury imports could be obtained.

Although the surplus on trade in the first nine months of 1953 was at an annual rate of $45 million, foreign reserves declined by $110 million between May and November 1953—resumption of a trend which had been halted at the end of 1952.

TABLE 27

INDONESIA: GOVERNMENT BUDGETS[a]

Million rupiahs

	1950 Estimate	1951 First estimate	1951 Second estimate	1951 Provisional result	1952 Budget	1952 Provisional result	1953 Provisional estimate
Net revenue	4,093	6,080	9,964	10,303	9,179	9,683	7,580
Net expenditure	5,829	7,067	10,368	9,108	13,506	13,192	9,374
Balance	—1,736	— 987	— 404	+1,195	—4,327	—3,509	—1,794

Source: 1951 First estimate: *Nota betraffend de Teestand van's Lands Financion*, Ministry of Finance, January 1951; other figures: *Bank of Java Report, 1952/53.*

a. The figures are the net figures as given in the above sources and not comparable with those published in the *Economic Survey of Asia and the Far East 1951*, appendix table XI, to which various adjustments were made.

PUBLIC FINANCE

The Indonesian Government has been confronted with exceptional difficulties in the formulation and execution of its fiscal policy: since it took over the administration in 1950, it has had to face severe trade fluctuations and the impact of inflation at a time when its administrative machinery was in the process of being built up and was as yet inadequate to deal with the rapidly changing situation.

Table 27 indicates the changes in budgetary policy under the impact of rising prices and buoyant revenue. The budget for 1951, by the time it was presented in January 1951, was already known to have been underestimated. The rises in revenue and prices led towards the end of the year to a revision which, despite a 50 per cent increase in estimated revenues, provided again for a deficit though a small one, even in face of the inflationary pressures generated by the rise in export prices. Planning of expenditure on so generous a scale was prompted by the desire to start urgently needed schemes of rehabilitation and development and the optimism created by the buoyancy of revenue, but the administration over-estimated its spending potential and in fact a surplus emerged in 1951.

During 1951 increases were granted in civil service salaries and projects were started, the expenditure on which had its full effect only in 1952. Moreover, government revenues fell in 1952, budgetary control proved inadequate,[1] and a large deficit emerged, with reactions on incomes and the balance of payments. In 1953 revenue and expenditure have been better co-ordinated and budgetary policy appears to have played a more effective part; on the revenue side, provisional actuals for the first 9 months of the year indicate that export taxes fell below the budgeted level (as indicated in table 28), but this shortfall was more than made good by a substantial increase in corporation taxes. Expenditure is also reported to have been in the first 9 months consistent with budget estimates.

The extreme sensitivity of revenue to changes in the volume of external trade is largely due to the fact that taxes on foreign trade account for a large proportion of revenue; customs taxes and other receipts derived directly from foreign trade amounted to Rp.6,835 million in 1951, fell to Rp.5,297 million in 1952 and were estimated at Rp.4,171 million in the 1953 budget.

In 1951 the main source of revenue was the Exchange Certificates which importers had to procure in order to obtain the right of buying foreign exchange. The system was abolished with the devaluation of the

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[1] The 1952 budgetary estimates were presented only during the second half of the year; thus they reflected largely expenditure already incurred or committed.

TABLE 28

INDONESIA: GOVERNMENT REVENUE AND EXPENDITURE

Million rupiahs

	1951[a] provisional results		1952[b]		1953 budget estimates	
Net government revenue						
Direct taxes		1,364		1,756		1,329
Indirect taxes						
Domestic trade[c]		1,686		1,857		1,609
Foreign trade		6,835		5,297		4,171
Export duties	1,309		1,819		1,246	
Import duties	1,404		1,396		1,275	
Foreign exchange certificates, import surcharges	4,122		2,082		1,650	
Government industries and miscellaneous receipts[d]		418		480		472
Total net revenue		10,303		9,390		7,581
Gross government expenditure						
Current: Security		5,324		7,338		5,502
Economic		2,008		4,297		3,493
Others		3,298		3,029		2,563
Capital: Security		..		371		216
Economic		..		2,327		1,366
Others		..		201		76
Total gross expenditure		10,630		17,563		13,216
Adjustment to a net basis[e]		—1,522		—4,057		—3,842
Adjustment from budget to results[f]				— 314		
Total net expenditure		9,108		13,192		9,374

Source: *Java Bank Report, 1952/53.*

a No breakdown available for 1951 between current and capital expenditure; capital outlay included with current expenditure.

b. Provisional results for net government revenue; budget estimates for gross government expenditure.

c. Indirect taxes on domestic trade include turnover and sales tax, excise and processing taxes.

d. Stamps, licences, lotteries, miscellaneous taxes, government enterprises and other receipts.

e. Expenditure only available on a gross basis; the adjustment to eliminate transfers and double counting can only be done on the total.

f. Breakdown of expenditure for 1952 only available for budget figures and not for provisional results: budgeted expenditures as given exceeded actuals by Rp.314 million.

upih in February 1952,[1] but additional export duties ere levied to absorb some of the export profits resulting rom the lower exchange rate. These special duties were educed or abolished as falling commodity prices made neir burden particularly heavy.

The import surcharge system, introduced in August 952, restored in part the loss of revenue resulting rom the abolition of exchange certificates. The system iscriminates against non-essential imports and constitutes in part a multiple exchange rate system.[2]

The data available on the expenditure side relate o gross outlays; only budget estimates are available for 952 and the provisional results for 1951 do not show apital expenditure separately. While comparisons are hus difficult, it appears that the main increase in 1952 xpenditure was for economic affairs; capital outlays in 952 were larger than total expenditure, both current nd capital, under this heading in 1951.

While the economies in the 1953 budget have fallen eavily on capital expenditure, it is presumed that the uts have been made selectively and the slowing down f development is likely to be far less significant than he figures indicate.

THE COURSE OF INFLATION

The rise in the value of exports in the second half of 1950 and in 1951 has been the main driving force behind the emergence of inflationary pressures. Table 29 shows that in those two years the government was not successful in preventing the additional earnings from flowing into the income stream.

This rapid rise in incomes was widely distributed, partly because money wages in estate agriculture rose two and a half times in 1950, and absorbed a substantial part of export profits. In addition, in 1950 much of the additional income particularly that arising from rubber exports accrued to smallholders as well as to estate owners.

Private consumption expanded very rapidly, and this was immediately reflected in an increase in the price of rice by nearly 80 per cent between July and December 1950. While this increase was partly seasonal, the situation was aggravated by the short fall of the 1951 harvest. Between August 1951 and August 1952 the free market price for rice rose three-fold in Djakarta and Semarang, and even more in Surabaya.[3] The rise in incomes from production and trade in rice spread further the increases in purchasing power.

In the general atmosphere of rising prices, a widespread buying spree developed, and both traders and consumers sought to store up consumption goods,

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[1] It was retained for exports to and imports from the dollar area, but limited to a small inducement to exporters and surcharge to importers.

[2] Under the surcharge system as revised in January 1953, essential goods are exempt while taxes of 33, 100 and 200 per cent are applied to various categories of imports.

[3] In contrast it may be noted that the unit value of imported rice rose by 4 per cent only between 1950 and 1951.

TABLE 29

INDONESIA: INDICATORS OF INFLATION

	1949—1950	1950—1951	1951—1952	1952—1953
Private income (Million Rp.)				
A. Changes in value of exports[a]	3,572	3,655	462	—1,786[b]
B. Changes in export tax collection[c]	368	817	510	— 575
C. Changes in private incomes directly due to exports (A-B)	3,204	2,838	— 48	—1,211
Banking and finance (Million Rp.)				
D. Changes in money supply[d]	300	1,209	1,021	1,680
E. Changes in advances outstanding from the Bank of Indonesia to the Government[e]	1,504	—1,277	3,071	2,451[f]
F. Changes in loans outstanding from the banking system to the private sector[dg]	430	1,323	358	3
Index numbers of wages & prices (previous year=100)				
G. Changes in wage rates in estate agriculture[h] ..	254	160	95	..
H. Changes in price of foodstuffs	116	167	105	105[i]
I. Changes in wholesale price of imported goods	206	138	95	106[i]

Source: Central Bureau of Statistics, Bank of Indonesia.

a. Trade figures (excluding petroleum and its products) have been corrected to take into account the effective exchange rate.
Rates used: January—March 1949 $1 = 2.64
April 1949—February 1950 = 3.80
March 1950—January 1952 = 7.60
February 1952—September 1953 = 11.40

For a historical summary of the exchange rate system of Indonesia see June 1953 issue of *International Financial Statistics* (I.M.F.)

b. 1953: Annual rate of the first half of the year.

c. Provisional results for 1949, 1950, 1951 and 1952. Budget for 1953.

d. September to September.

e. December to December (last Wednesday).

f. The revaluation profits on gold assets of the Bank of Indonesia were transferred to the government in May 1953 and thus the advances to the government decreased by Rp.1,734 million. Since this decrease does not affect the money supply the figure shown for net advance to the government does not take it into account.

g. Including government trading enterprises.

h. Average of sugar and perennial crops in Java (absolute wage).

i. 1953: Average of first nine months

the imports of which (excluding foodstuffs) rose from less than Rp.500 million to more than Rp.1,200 million, and accounted in 1951 for nearly 40 per cent of the value of total imports as against less than 30 per cent in 1950. The limiting factor to the increase appears to have been supply availability rather than demand.[1]

The banking system supported the inflation by increasing advances to the private sector by more than Rp.1,150 million in 1951, while advances to the government declined. The indications are that the inflation of 1951 originated in the private sector of the economy. Government accounts show a surplus for the financial year 1951 of nearly Rp.1,200 million and the balance of payments on account of goods and services a surplus of only half that amount ($179 million or Rp.680 million). Expenditure in the private sector, therefore, must have exceeded incomes, and it appears that part of this expenditure has taken the form of stock accumulation.

However, in 1952 the picture was reversed: the cost of living rose only slightly, incomes accruing from exports fell and private expenditure fell below private income; on the other hand, the government in 1952 incurred a deficit of Rp.3,500 million, largely reflected in growing imports and resulting in a sharp fall in foreign reserves.

The Food Foundation which was reorganized early in 1952 succeeded in bringing down the price of rice, both through increased internal procurement, which picked up after the better 1952 harvest and through a large volume of imports. Its price policy created a strong pressure on private traders and the domestic price of rice fell considerably in the course of 1952.

At the same time the government took action to curb speculative imports by private traders. The working capital of importers was squeezed by the requirement imposed in August 1952 that 40 per cent down payment be made on application for an import permit. The import surcharge tax had to be paid as soon as the import permit was granted. The effect of these measures was partly cancelled by further advances from the banking system to importers (this increase in advances of Rp. 333 million in 1951/52[2] took place against a background of falling prices and business activity). The government reacted by raising the down payment requirement to 75 per cent in March 1953 and a little later by placing a ceiling on bank loans to the import trade.

It appears, therefore, that in 1952 the government deficit was directly or indirectly the main cause of the high level of imports,[3] and measures taken to curb speculative imports by private traders could be of little assistance.

CURRENT TRENDS AND PROSPECTS

Considerable government efforts have been made to restore the economy to equilibrium, and although some success was secured in the first few months of 1953 and the government deficit may remain within the budgeted limit, the situation appeared to deteriorate in the second half of the year. Between June and November 1953, the foreign exchange reserves fell by Rp. 910 million (or $80 million), nearly Rp. 300 million more than the balance of payments deficit planned for the year. With the deterioration in the balance of payments, the free market price of the rupiah reached an all-time low in September.[4] Heavy foreign borrowing—over Rp.1,000 million in 1952—by the government to relieve the pressure on reserves will impose an additional burden of interest and redemption payments.

The government does not in any case expect to be able to eliminate the balance of payments deficit before 1956, by which time reserves may have fallen to the minimum level required to finance foreign trade. It may be that attempts to tighten import restrictions would involve a risk of reviving inflation pressures.[5] A number of basic commodities which enter into the cost of living index are on the free list for imports. Nevertheless, retail prices of food in Djakarta and other urban areas after falling in 1952 began to rise in the first eight months of the year. In the rural areas the 1952 fall in food prices had continued in the first few months of 1953, but since May 1953 food prices have begun to rise again. The prices of imported goods rose in the first half of the year but were being stabilized in the third quarter. Further curtailment of government expenditure which would go to the root of the problem of inflation appears to present severe difficulties; on the other hand, higher imports which could absorb the inflationary pressures are prohibited by the state of foreign reserves.

Restoration of production is the only lasting way of restoring both internal and external equilibrium, but the trends are not all favourable. There is a continued increase in the output of food and petroleum and considerable recovery in sugar. But the output in the first nine months of 1953 of other major exports, such as tin and rubber, has fallen below the 1952 level.

Few indications are available regarding recent changes in the level of consumption and investment: it may nevertheless be significant that while the value of import fell by 30 per cent from the second half of 1952 to the first half of 1953, the value of capital goods imports declined by 6 per cent only. If this trend continues and inflation can be held in check, the running down of the exchange reserves will at least have served useful development purposes.

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[1] From November 1950 to April 1951, import licences issued were more than twice as high as actual imports.

[2] The increase in the last quarter of 1952 was over Rp.59 million.

[3] The balance of payments deficit amounted approximately to two-thirds of the government deficit.

[4] The free market rate in September 1953 was Rp.30 to $1 as compared with Rp.23.5 in May while the official rate was Rp.11.4 to $1.

[5] Additional import restriction would have a direct effect on the money supply, as the government would have to reimburse importers the 75 per cent down payment made for an import licences granted but not yet utilized.

Chapter 12.

JAPAN

INTRODUCTION

The Japanese economy has made remarkable advances since the outbreak of the Korean war and output has now considerably exceeded its pre-war level. The boom started with a sharp rise in prices, particularly of export commodities, stimulating the production of export goods. Since wages and the prices of domestic materials, such as coal, rose much more slowly, business profits increased and investment and the production of capital goods were stimulated. Moreover, rising prices, the expanding volume of exports, and the additional income accruing from special procurement of the United Nations forces in Korea, brought about a remarkable improvement in the balance of payments, enabling Japan to build up its foreign reserves. Wages lagged behind rising prices and consumer expenditures in real terms, which had been growing yearly since the end of the second world war, remained stable throughout 1951.

The trend changed early in 1952. With the passing of the Korean war boom, the price level had been stabilized, although at a considerably higher level. Substantial wage increases during 1952 resulted in a considerable expansion of consumer expenditure, and in contrast with the preceding year, both production and imports of consumer goods showed a marked increase during 1952. On the other hand, the value of export was dwindling, partly because of increasing competition in foreign markets and restrictions on imports of Japanese goods imposed by the Sterling Area countries, and partly because sales on the domestic market were easy and profitable. Thus the balance of payments position started to deteriorate and the large import surplus could be covered only by special procurements amounting to over $824 million during 1952. This unfavourable trend has been continuing in 1953, and the further deterioration of the balance of payments resulted in a current account deficit of $140 million for the first half of 1953.

Moreover, the budget, which had shown sizable surpluses up to 1951/52, provides for a substantial deficit in 1953/54, owing to expanding expenditure and reductions in tax rates.

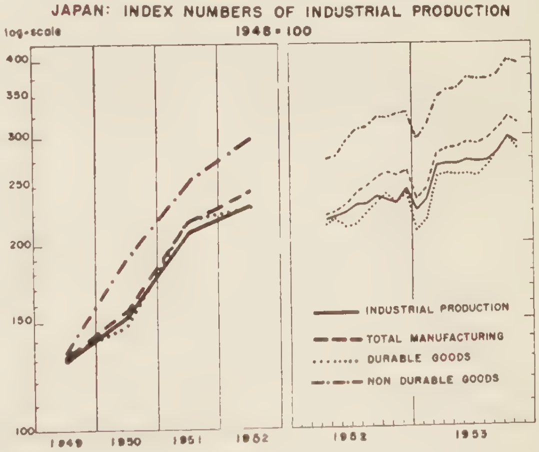
Monetary policy in Japan had been an expansionary force until the end of 1953 and, this change in fiscal balance created fears of inflationary consequences which could be highly detrimental in a country faced with the urgent necessity of raising the present extremely low level of exports. Since the problem of foreign trade is made all the more serious by the possible decline in special procurements, which alone had permitted Japan to finance a volume of imports which in 1952 was only 54 per cent of the pre-war level, more stringent monetary and fiscal policies have been announced for 1954.

PRODUCTION

Industrial production

During 1952, industrial production continued to rise, though at a somewhat slower rate than in the previous years. The increase over the year was 11 per cent, compared with 18 per cent in 1950 and 37 per cent in 1951. Since March 1953, a new upswing of industrial production has been noticeable, and the index for the third quarter of 1953 was 16 per cent higher than a year previously. In contrast with the increase in 1952, which was characterized by the relatively larger rise in consumer goods production, the new rise in 1953 was shared equally by durable and non-durable manufactures.

Chart 23



Coal: Production has recovered rapidly from the sharp fall caused by labour disputes towards the end of 1952. However, in view of the increase in coal stocks from 2.3 to 4.3 million tons between March and July 1953, the coal mines have started to reduce their production.

Demand for coal did not expand with industrial production[1] owing mainly to improved efficiency in fuel consumption and increased substitution of fuel oil for coal. Mining productivity was simultaneously improving and coal mines have laid off 26,600 employees—a 7 per cent decrease in total employment—in the course of the five months preceding August 1953. In the smaller and less efficient mines (less than 50,000 tons annual production) employment was reduced by as much as 20 per cent during the same period.

Electric power: A large-scale five-year programme of power development has been started to alleviate the recurrent power shortages from which the economy has suffered in recent years. As a result, it is expected that additions to generating capacity, which were 340,000 kw in 1952, will be over 1 million kw in each of the three succeeding years. Annual investment is estimated to average about Y 160,000 million ($450 million), half of which is to come from government funds.

A $40 million loan from the International Bank for Reconstruction and Development was obtained in October 1953, for the purchase abroad of equipment necessary for the construction of three modern thermal power stations with a total capacity of 285,000 kw.

Iron and steel: Increased demand for iron and steel for machinery and vehicle manufacturing and construction has more than offset the sharp decline in export demand. Throughout the first half of 1953 production was increasing with declining stocks. Production of steel (ingot) reached 682,000 tons, a record, in July 1953.

Engineering: The production index of machinery and transport equipment for the third quarter of 1953 reached 238 (1934-36 = 100) which was 16 per cent higher than the average of 1952. This expansion resulted partly from a higher rate of investment in basic industries, such as electric power, iron and steel, and coal, and partly from a sharp increase in demand for consumer durables, such as washing machines, refrigerators, electric fans, radios and small vehicles. The rapid mechanization of agriculture was also an important contributory factor to the increase in demand. While export demand for Japanese machinery has recently been sluggish, chiefly because of prices higher than those of other countries, the high level of domestic demand has made possible widespread expansion and modernization of plants.

Shipbuilding: In March 1953 the merchant fleet totalled about 2.8 million gross tons, about half the gross tonnage of the pre-war fleet, and the addition of 300,000 gross tons per year would maintain the rate at which the fleet is being rebuilt. About 50,000 gross tons will be required annually for the Maritime Security forces, and about 20,000 gross tons for fishing boats, railway ferry boats, and petrol boats. In addition, it may be possible to export 150,000 to 200,000 gross tons annually. Shipbuilding is an important export industry, accounting for about 40 per cent of the total value of engineering export contracts concluded in 1952.

Textiles: Although textile production has continued to rise in 1953, it is still far below the pre-war level, and at the peak in July 1953 was no more than 80 per cent of the pre-war average. More serious is the shift from foreign to home markets: domestic consumption, which had reached the pre-war level in 1951, exceeded it by 50 per cent in 1952 and in the first half of 1953, while exports, which had never recovered to even 40 per cent of their pre-war level, fell even further after the world-wide textile crisis of 1951, although they showed some recovery in the summer of 1953.

Textile capacity, after a spectacular spurt following the lifting of the ban on expansion in 1950 (installed cotton spindles increased by over 2 million in 1951 and 1 million in 1951), has now been stabilized around 7.5 million spindles. As the result of a continuous effort to improve efficiency in production, the total number of employees in the textile industry, in spite of the rise in production, has continuously been reduced since the middle of 1951.

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[1] Coal delivery to manufacturing industry during the first half of 1953 was 8 per cent lower than that of the corresponding period of 1952, whereas the production index for manufacturing industry for the same period was 15 per cent higher.

TABLE 30

JAPAN: SHIPMENT OF COTTON FABRICS

	For export[a]		For home consumption		Total shipment Million sq. yards
	Million sq. yards	%	Million sq. yards	%	
1934-36 average	2,945	76	944	24	3,889[b]
1950	1,118	71	449	29	1,567
1951	1,122	53	995	47	2,117
1952	773	34	1,489	66	2,262
1953[c]	390	34	760	66	1,150

Source: Ministry of International Trade and Industry.

a. Including special procurement.
b. Production.
c. First half year.

TABLE 31

JAPAN: USE OF POWER-DRIVEN FARM IMPLEMENTS

	1937	1947	1951
Electric motor (thousand)	66	287	620
Oil engines (thousand)	121	229	383
Power-driven rice de-husking machine (thousand)	129	444	972
Power cultivator (units)	537	7,680	18,410
Power sprayer (units)	1,886	7,345	19,560

ource: Ministry of Agriculture and Forestry.

gricultural production

Agricultural production showed a marked increase n 1952 and generally exceeded the pre-war level, except or sericulture, which reached only one-third of the re-war level.

As the area under cultivation during 1952 was not uite equal to that before the war, improved yields per cre accounted for the increased production, which is f particular importance in the case of rice, the largest rop. Increased use of fertilizers and farm implements nd improved agricultural techniques have contributed o higher yield. The increase in farm incomes and ctive encouragement and assistance by the government as promoted a rapid mechanization of agriculture, as hown in the number of power-driven farm implements. see table 31).

The insistence on farm mechanization is largely ecause it permits double-cropping by cutting down easonal peaks in labour requirements, and the use of achinery is more economical than that of draft animals.

The progress of agricultural production in post-ar years has been interrupted in 1953 by particularly nfavourable general weather conditions as well as by evere damage caused by several typhoons, and output s expected to show a sharp fall from the 1952 level. The rice crop in 1953 is estimated at 8 million tons[1] (2 million tons less than the 1952 crop and the lowest since 1934).

Imports of cereals during 1952 amounted to 3.7 million tons, costing $432 million,[2] as compared with 3.4 million tons during 1951. Imports for 1954 are expected to be larger because of the poor crop, thus creating a heavy drain on foreign exchange.[3] While increasing food production was given high priority by the government and a Ten-Year Plan aiming at self-sufficiency of food was put forward in 1953 (its cost to be $1,210 million for the first five years), appropriations have been far below requests.

It appears however that the plan for self-sufficiency was not based on a comprehensive study of the available financial resources and the relative advantages of investment in agriculture and in export industries.

EMPLOYMENT

Employment, after a sharp rise in 1951, levelled off during 1952, but started rising again at the end of the year, this trend continuing into 1953.

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[1] These figures are for brown rice; for polished rice multiply by 0.92.

[2] The break-down of cereals import during 1952 is as follows:

	Quantity (thousand tons)	Value (million dollars)
Rice	997	185
Barley	943	84
Wheat & wheat flour	1,675	157
Maize	67	6
Total	3,682	432

[3] An additional allocation of foreign exchange for food import amounting to $150 million is expected in the second half of 1953/54.

TABLE 32

JAPAN: EMPLOYMENT BY INDUSTRIES

Thousands

	April 1951	April 1952	April 1953
All industries	35,730	36,890	39,030
Agriculture, fisheries and forestry	15,990	16,920	17,210
Mining	490	650	620
Construction	1,400	1,440	1,570
Manufacturing	6,150	6,610	7,080
Trade, finance, real estate	5,160	5,110	5,710
Transportation, communication and public utilities	1,920	1,870	1,980
Service industries	3,410	3,190	3,720
Government	1,180	1,090	1,150
Not classifiable	30	—	—

Source: Statistics Bureau, Prime Minister's Office.

Table 32 indicates that the increases in employment opportunities offered by manufacturing, trade and services have not been sufficient to absorb the whole of the increase in the labour force, and agricultural employment has risen by over 1 million to a figure 20 per cent larger than pre-war.

While the number of totally unemployed was rather small (the labour force sample survey showed 530,000 unemployed in April 1953), estimates of the number of under-employed (working less than 35 hours a week) show a rise of 2 million between April 1951 and April 1953, half of which was in agriculture. At the latter date, the number of under-employed was nearly 10 million.

Since the period between 1951 and 1953 has been one of rapid industrial expansion the problem of unemployment appears to be only temporarily shelved, and it may re-appear in more acute form should the rate of growth of the economy decline.[1]

INVESTMENT

The progress achieved in the economy in the last few years can best be summarized in terms of the growth of real national income. Table 33 shows that while an exceptional spurt took place in 1950/51 the rate of growth of the economy has been maintained over the last four years at a particularly high rate. As a consequence, national income is now well above the pre-war level and *per capita* income has regained it. This progress has been due to the rapid expansion in demand in a situation where a considerable volume of unused resources existed. As industrial plants approached full capacity operation, a considerable rationalization of production and great gains in labour productivity became possible.

TABLE 33

JAPAN: INDEX OF NATIONAL INCOME AT CONSTANT PRICES

1934-36 = 100

	National income	Percentage rate of annual growth	Per capita income
1949/50	81	14	69
1950/51	100	24	83
1951/52	111	11	91
1952/53	124	12	100

Source: Economic Counsel Board.

Even in its early stage this rapid growth required that business inventories be built up, and it is notable that in 1950 and again in 1951 more than half of total gross private investment consisted of stock accumulation. With the higher rates of output achieved in 1952, industrial capacity became far more important as a limiting factor, and this is reflected in the shift in investment from inventories to producers' durable equipment.

The figures in table 34 do not give a complete account of investment in Japan, being limited to private capital formation. As will be discussed later, it is difficult to obtain an accurate view of the government investment. It would, however, appear that public works and government investments in public enterprises amounted to some 6 per cent of gross national product in 1950 and some 5 per cent in 1951.[2] In 1951 when

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[1] Figures from the Ministry of Labour, covering regular workers in establishments with 30 employees or more, show no change in manufacturing employment between April 1952 and April 1953. This would indicate that expansion has largely been concentrated in small establishments, while in large firms, the increase in productivity was sufficient to allow a higher rate of output. It may also be that firms prefer to hire casual labour so as to avoid difficulties in times of contraction.

[2] Economic Stabilization Board, *Economic Survey of Japan, 1951/52.*

TABLE 34

JAPAN: PRIVATE SAVINGS AND INVESTMENT

Thousand million yen

	1950	1951	1952
Domestic gross private capital formation	576.5	1,311.7	1,165.3
Residential construction	36.3	50.3	72.9
Producer's durable equipment	228.5	594.7	709.7
Change in business inventories[a]	311.7	666.7	382.7
Balance of payments (current account)	58.1	72.3	57.2
Gross private investment	634.6	1,384.0	1,222.5
Financed by			
Undistributed profits	84.6	295.9	105.6
Depreciation allowance	145.1	240.2	323.5
Personal savings	319.3	511.0	777.6
Transfer of government savings	—27.9	68.8	—44.7
Errors and omissions	113.5	268.0	60.5

Source: National income statistics from the Economic Counsel Board.

[a] The effect of price changes has not been completely eliminated from the value of inventory change. This may be partly responsible for the size of the errors and omissions figures in 1951.

nventory accumulation was at its peak, gross investment including government investment) might have fallen ittle short of 30 per cent of the gross national product, while even in 1952, when stock building was slowing down, gross investment still accounted for some 25 per cent of gross national product. Such high rates of nvestment would, of course, permit a continued rapid growth of the Japanese economy even if the spectacular rates of advance of the recovery period cannot be maintained indefinitely.

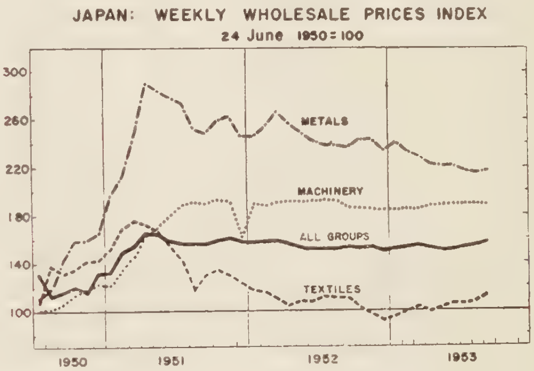
WAGES AND PRICES

As is shown in table 35, prices, wages and productivity have all risen rapidly in recent years. The trend of real wages has been upward, but in 1953 real monthly earnings in manufacturing industry[1] barely reached the 1934-36 level. The figures in table 35 need, however, two qualifications. In the first place, working hours have been reduced by 15 per cent[2] as compared with pre-war, and thus both productivity and wages per hour are considerably higher than before the war. On the other hand, the employment figures used in the table may be too low,[3] and the gain in productivity may be overstated to some extent.

In the last few years, since money wages have not risen much more than wholesale prices, the whole gain from rising productivity has accrued to the employers, and labour costs have fallen as a percentage of total costs. The same change is apparent in comparison with 1938, as, with productivity unchanged, money wages have risen less than wholesale prices. The conclusions do not support the widespread view that high wages and low productivity of labour are the main causes of the current high prices of Japanese industrial products. However, coal mining is an exception, for productivity is still 30 per cent below its pre-war level and real wages have regained their pre-war level. The resulting high price of coal has significantly affected the price of Japanese heavy industrial products.

Generalizations about wages in Japan are, however, made difficult by the unusually wide spread in wage levels between large-scale and small-scale enterprises, between men's and women's wages, and between the various branchs of industry. Thus small-scale establishments (those with less than 30 employees) employ nearly half the manufacturing labour force,[4] but pay wages which are barely more than half those paid in large-scale enterprises (those with 500 employees or more), and there seems to have been little change in this situation in recent years. Between the sexes the spread is narrowing and a woman now gets 43 per cent of a man's wage (as against 32 per cent before the war). Owing largely to this factor, the disparity between low-wage and high-wage industries is shrinking, and the average wage in textiles, for instance, was, in 1952, 42 per cent of the wage in metal industries, as against only 24 per cent in 1937.

Chart 24



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[1] The trends in wages of other branches of industry such as mining, whole sale and retail, banking and public utilities, are more or less similar to those in manufacturing industry.

[2] Average working time in manufacturing industry in 1937 was 58 hours a week which was reduced to 49 hours in 1952. (*Source:* Annex table 69, *Economic Survey of Japan, 1952/53*).

[3] See *supra*, footnote (1) on page 82.

[4] Out of 5,504,000 employees, as of 1 July 1952, in manufacturing industry, 2,365,000 (43.3 per cent) were in the factories with less than 30 employees. (Source: *Statistical Materials on Smaller Enterprises by Smaller Enterprises Agency*, Japanese Government, February 1953).

TABLE 35

JAPAN: INDICATORS OF MANUFACTURING PRODUCTIVITY

Index numbers of	1951	1952	1953 (Jan-Jun)	
	1950=100		1950=100	1934-36=100
Monthly earnings (unskilled labour)	125.2	144.9	148.6[a]	279.2
Consumer price	116.1	121.0	126.1	277.4
Real earnings	107.8	119.8	117.8[a]	100.6
Real earnings after tax	111.2	125.7	127.6[a]	97.9
Manufacturing production	128.2	156.3	173.9	142.6
Employment	106.1	105.3	105.4	139.5
Output per man-year	132.3	148.4	164.8	102.2[b]
Wholesale prices	138.8	141.6	142.0	350.6

Sources: Ministry of Labour, Statistics Bureau of Prime Minister's Office, Economic Counsel Board, and Bank of Japan.

[a] Because bonuses are usually paid in July and December, receipts of workers for the first half of the year are generally lower than for the second half.

[b] 1935=100.

A notable feature of the price situation has been the stability of the wholesale price index since the middle of 1951. While the cost of living is still rising and export prices are falling, the steadiness of wholesale prices at a level a little more than 50 per cent above the pre-Korean war level is due to divergent trends in the behaviour of various commodity groups. Textiles fell sharply from the high level they had attained in April 1951 but have risen again in 1953, while foodstuffs have been rising slowly. The prices of engineering products have remained steady since the middle of 1951 at a level approximately 90 per cent above the pre-Korean war level, while metal prices, after rising nearly threefold between June 1950 and April 1951, have been declinig steadily; however they are still more than twice what they were in 1950. The most disturbing feature in the present situation is the apparently increasing rigidity of the domestic price structure in face of the declining trend in international prices.

LEVEL OF CONSUMPTION

The volume of consumption responded slowly to the rise in activity following the outbreak of the Korean war, but in 1952 and 1953 it increased rapidly both in urban and rural districts as rising wages caught up with prices, which were levelling off. As mentioned earlier, this trend resulted in a sharp rise in the output of consumption goods in 1952, and in rising imports.

While consumption has been rising for the whole nation, table 36 shows that the greater increase has been in the agricultural sector, real expenditure in which had already exceeded the pre-war level in 1951.

The higher income level that made increased rural consumption possible was due to a number of factors, including a substantial reduction in farm rent due to the agrarian reform enforced during early post-war years and a large increase in the income of rural families, particularly since 1950, due to increased employment in manufacturing, commerce and elsewhere.[1]

TABLE 36

JAPAN: INDEX NUMBERS OF CONSUMPTION

1934-36 = 100

	Urban	Rural	All Japan
1950	69.8	93.5	79.2
1951	68.9	103.4	82.7
1952	80.2	119.8	96.0
1953 (Jan-Jun)	84.2	125.3	100.7

Source: Economic Counsel Board.

Thanks to the great relative improvement in agriculture in comparison with pre-war, the average living standards of the rural population have equalled those of urban consumers over the recent years.[2] However, rural consumption was losing ground again in 1953, a tendency which may be further strengthened by the poor crops of 1953 due to frequent typhoons and unfavourable weather generally.

With regard to the urban sector, wage increases and a reduction in tax rates increased the disposable income of workers' families (in Tokyo) by 23 per cent from 1951 to 1952, and since the cost of living increased by 5 per cent, consumption was 16 per cent higher. The rate of savings also increased to 5 per cent, although it is still only half of the pre-war level.

The main impact of the increase in consumption has fallen on textiles, purchases of which increased by 60 per cent in real terms in 1952, thus accounting for the combination of rising production with falling exports.

While total food consumption in 1952 increased by 8 per cent only, the changing pattern of consumer tastes affects both agricultural production and imports.

Although rice consumption has fallen to 80 per cent of pre-war, that of wheat and barley is three times as high. This change of diet has entailed increased consumption of meat and dairy products, thus resulting in a more diversfield diet.

Despite a further rise of 5 per cent in the cost of living from January to July 1953, real urban consumption in that period further increased by 17 per cent over the level of the corresponding period of the previous year.

Although the average consumption standard of the whole nation during the first half of 1953 was 13 per cent higher than a year before, this rising tendency may

TABLE 37

JAPAN: DAILY PER CAPITA CONSUMPTION OF MAJOR AGRICULTURAL PRODUCTS

Grammes

	1934-36	1950	1951	1952
Rice	361	302	292	288
Wheat	26	73	68	71
Barley	12	36	30	44
Fish	40	40	43	51
Meat	5.8	6.3	6.0	7.4
Eggs	6.3	2.3	6.1	6.8
Milk and other dairy products	8.5	14.6	15.6	21.2
Fruit	56	42	41	55

Source: Economic Counsel Board.

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[1] The relation of rent to total farm operating expenses was reduced from 37 per cent in 1935-36 to less than one per cent in 1952, while the share of total income accounted for by non-agricultural sources increased from 21 per cent before the war to 34 per cent in 1952.

[2] *Economic Survey of Japan, 1952/53.*

require to be checked in the near future, for the worsening balance of payments position may necessitate curtailment of import, particularly for consumption purposes, as well as diversion of a larger proportion of domestic production for export.

PUBLIC FINANCE

With the introduction of the Dodge Stabilization Programme in 1949/50, the budgetary policy of Japan became a deflationary factor in the economy, which was however offset by the strong expansion of bank credit. This policy of deliberate surpluses has however been gradually abandoned, and already in 1951/52 it appears that a small deficit occurred. The budget provided for a considerably increased deficit in 1952/53, and the revised estimates for 1953/54 show a continuation of the same trend.

Budgets have however been drafted on a conservative basis, and it appears that in 1952/53, as in previous years, revenue exceeded expectations (by Y24,000 million as compared with the revised budget estimates), while some expenditure items, defence for instance, fell short of budgetary estimates. The particularly rapid growth of the Japanese economy in the last few years accounts for this unusual buoyancy of revenue and a slowing down of the rate of expansion would immediately increase the inflationary impact of the present policies.

On the revenue side, the increase in government receipts has been due entirely to the rise in national income. Table 38 shows that after reaching a peak in 1949/50, the tax burden as a percentage of national income has been declining steadily to a figure of 20 per cent.

Following the recommendations of the Shoup Mission of 1950, tax rates have been reduced, particularly for income tax; while incentives have been provided through tax rebates to encourage both private capital formation and exports. The basic income tax exemption was raised progressively from the low figure of Y.15,000 to Y.60,000 in 1953, and exemptions for dependents were raised at the same time. The maximum tax rates for the highest income brackets were also reduced in 1950 and again in 1951, but they have been recently raised substantially to 65 per cent.

TABLE 38

JAPAN: TAX BURDEN AS PERCENTAGE OF NATIONAL INCOME

	National tax[a]	Local tax	Total
1934/35-1936/37	8.5	4.3	12.8
1949/50	23.4	5.2	28.6
1950/51	16.3	*5.4*	21.7
1951/52	15.4	*5.8*	21.2
1952/53	*15.2*	*5.5*	*20.7*
1953/54	*15.6*	*5.3*	*20.9*

Source: Ministry of Finance.

a. Includes monopoly profits.

As a result of these and other measures, the share of personal income tax in total tax revenue has declined from 44 per cent in 1949/50 to 37 per cent in the 1953/54 budget. On the other hand, the shift to corporate profits that accompanied the Korean war boom increased rapidly the share of corporation taxes which went up from 12 to 25 per cent of total receipts between 1949 and 1951, and have remained around 20 per cent in subsequent years.

A commission appointed to review the principles of taxation presented recommendations in November 1953 tending to a further lowering of income tax rates to be offset by increases in indirect taxes. These proposals are expected to affect the 1954/55 budget.

On the expenditure side, defence and security outlays have been increasing since the signature of the Peace Treaty, despite the disappearance of occupation costs. The decrease in this item in the 1953/54 budget arises solely from the fact that appropriations under the previous budget remained partly unspent, and thus expenditure is expected to increase sharply to some Y.200,000 million, or over 3 per cent of the national income.

The rise in the general wage level noted above has also affected the salaries of government employees and accounts for the bulk of the increase in administrative expenditure. Contributions to local authorities and expenditures on education, health, and welfare are also major factors in the increase in current expenditure. Subsidies, which bulked very large in the past, have now been limited to imported foodstuffs but still represent considerable sums.

Under the stabilization programme of 1949/50, the government undertook to buy out of revenue the foreign exchange accumulated by the banks. Since it was at the same time declared policy to balance the budget, this meant in fact a sterilization of any increase in foreign reserves. Thus the inflationary pressures that might arise from a balance of payments surplus would be automatically offset by an increase in government savings. In the 1951/52 budget provision was made for the purchase of Y.80,000 million of foreign exchange. When, however, the foreign exchange accumulation turned out to be larger than was anticipated (Y.127,000 million), a substantial part of the accumulation was financed from borrowing. While in the 1952/53 budget provision had been made for Y.35,000 million under this item, foreign exchange recorded only an insignificant increase. In line with the general change in fiscal policy, the financing of other "inventories" (such as rice purchases) is now done out of borrowing rather than revenue.

It is extremely difficult to give an accurate figure for the total investment carried out by the Japanese Government. The main items included under this heading[1] relate to public works, investment in government enterprises and funds made available to government financial institutions for lending to private enterprises.[2] The indirect government loans to private business, which are channelled through such institutions as the Export and Import Bank, the Development Bank and the Housing Loan Corporation, amounted to approximately Y.140,000 million in 1951/52, while the 1952/53 budget provided for loans in excess of Y.175,000 million. It should not be concluded, however, that these loans represent government savings transferred to the private sector. The government was itself simultaneously borrowing from the public. (The Trust Fund Bureau, for instance, which was a major source of investment funds, was partly fed by postal savings). In fact, since the budgets have shown small deficits in the last three years, net government borrowing has exceeded net government lending. The role of government in this connexion can thus best be compared to that of the capital market which allocates private savings among the most desirable uses.

Current account surpluses, postal savings and the accumulation of yen in the United States Aid Counterpart Fund provided the main sources of investment finance.[3] With the disappearance of budgetary surpluses and the decline in the level of United States aid, the cash reserves in various accounts have been drawn down heavily and steps have been taken to increase borrowing from the public.[4] A Y.20,000 million issue of Special Tax Reduction Bonds was introduced in the summer of 1953; the authorized value of subscriptions (21 per cent tax assessment for corporations, 25 per cent for individuals) can be deducted from the amount of income tax due. Since these are medium-term bonds (2 to 4 years), carrying a nominal interest of 4 per cent, the government pays an effective rate of interest of 10 to 12 per cent. While expensive to the government, such measures may result in a genuine increase in private savings.

A suggestion has also been mooted recently that the government might sell to the Bank of Japan some of its accumulated foreign exchange holdings and use the proceeds to finance long-term private investment. While preserving the appearance of financial orthodoxy, such a measure would of course be inflationary in character to the extent that government finance does not simply replace long term credit supplied by the banking system.

MONEY AND CREDIT

While the net impact of public finance had been moderately deflationary up to 1951, the banking system had been practising credit expansion on a large scale and thue financing the rapid increase in the national income that took place under the impact of the Korean war. In 1952, however, the situation changed in that, while credit expansion was continuing, government finance became in the last quarter of the year a strongly expansionary force. Treasury borrowing from the Central Bank was however strongly influenced by the accumulation of rice inventories and other short-term financial requirements, and a substantial volume of advances was repaid in the first half of 1953, although the recent figures show another strong upward movement, as could be expected at this time of the year.

A feature peculiar to the Japanese banking system is the low level of reserves held either in cash or with the Bank of Japan: thus at the end of 1952 reserves of all banks (including revaluation of assets but excluding current net incomes) stood at Y.37,000 million and cash at Y.40,000 million as against deposits of Y.2,224,000 million. Since the banking system holds only small amounts of government bonds, this practice favours almost unlimited credit expansion. At some periods, such as the end of 1951, total loans and advances have occasionally exceeded the total amount of deposits. Such a situation of course is only possible for short periods of time when large cash withdrawals take place, reflected in increased borrowings from the Central Bank and increased currency in circulation.

The private banks are however always in debt to the Bank of Japan, and since they have but small reserves they can turn into currency, they have to depend on increased borrowings to meet any increase in their cash requirements: this structure of the banking system ensures the control of the Bank of Japan over credit policy.

If it were not for substantial guarantees supplied by the Bank of Japan and the government, the tremendous credit structure erected in the last few years might present serious dangers for the operation of industry and the economy. In 1952/53, the capital and reserves of industrial enterprises covered only 30 per cent of the funds they actually used partly owing to the effects of post-war inflation. Of the borrowed 70 per cent, nearly 60 per cent was supplied by the banking system, and some by government agencies, bonds playing an exceedingly small role. The banks thus supply industry with far more than its working capital needs and while this situation can be dangerous for industry, it also means that banks have to engage in a considerable amount of long-term and investment financing which reduces their liquidity. Efforts are now being made to curtail long-term lending by ordinary commercial banks,[1] through the establishment of specialized investment banks[2] and of government finance corporations.

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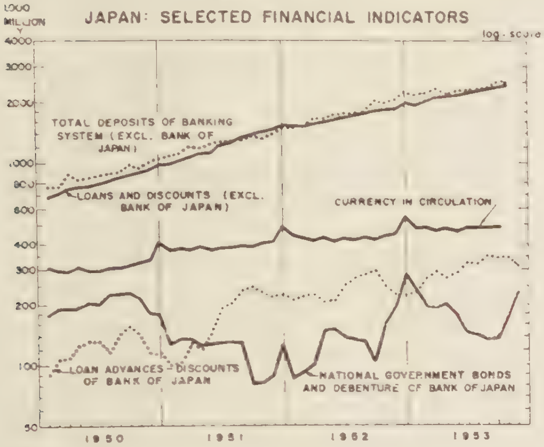
[1] *Infra*, special table E in section on "Asian Economic Statistics".

[2] Government purchases of bonds issued by local and provincial authorities are included under contributions to local authorities rather than under investment.

[3] The total of cash balances, long-term government bond holdings of the United States Aid Counterpart Fund and the Trust Fund Bureau funds amounted to Y.201,800 million at the end of 1950/51, declined to Y.100,900 million at the end of 1952/53, and is expected to be almost used up by the end of 1953/54.

[4] The United States Aid Counterpart Fund was abolished in July 1953 and the Industrial Investment Special Account, established in August, has taken over the Counterpart Fund. It also receives the proceeds of the Special Tax Reduction Bonds.

Chart 25



JAPAN: SELECTED FINANCIAL INDICATORS

The expansion from 1949 to 1951, which was entirely financed by the private banks, thus involved only a moderate amount of currency creation: in the calendar year 1951 the increase in currency at Y.80,000 million was less than the increase in loans and discounts of the Central Bank (nearly Y.100,000 million), while currency created by the balance of payments surplus was largely absorbed by the government cash surplus.

In 1952, since foreign exchange accumulation slowed down considerably, there was also less strain on the banking system. Its borrowings from the Central Bank stopped increasing, while the government became responsible for the continuing currency expansion. In 1953, up to September, the mainspring of expansion has again been the banking system, and the loans and advances of the Bank of Japan have risen to new heights. On the other hand, the government accounts show, from March to September, a large cash surplus which reflects essentially the seasonal variation in government revenue and expenditure. Another factor was the inability of the Diet to vote the budget in time and the consequent postponement of deferable expenditure. It is therefore likely, in view of the large budgeted deficit, that a higher rate of expenditure will prevail in the second half of the fiscal year, and that public finance will resume its expansionary role. This trend was strongly in evidence in October and November.

The continued rise in bank credit and borrowings from the Central Bank has recently given rise to some concern regarding the monetary stability of the economy. In the summer of 1953, the Bank of Japan decided to tighten up its credit policy and, starting from 1 October, effective interest rates were raised. While there was no change in the official structure of the rates the higher rates came to be applied to an increased proportion of the loans and discounts applied for. Measures for tightening the very liberal methods of financing the import trade are also under consideration.

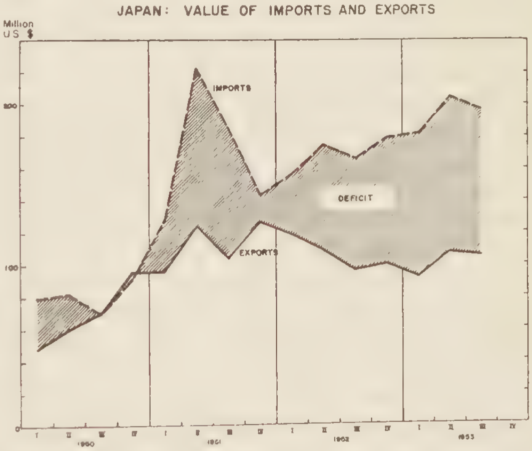
The government has also recently shown growing interest in the relations between the monetary policy pursued in the country and its balance of payments position, and far stricter fiscal and monetary policies are announced for 1954. The preliminary budget estimates for the fiscal year 1954/55 indicate important curtailment of both investment and current expenditure.

EXTERNAL TRADE AND PAYMENTS

Expanding imports, sluggish exports and a large surplus on invisibles were the main features of Japan's foreign payments position. Up to the middle of 1952, the surplus on invisibles, chiefly due to procurements by the United Nations forces in Korea and expenditures of the United States army in Japan, more than offset the deficit in commodity trade and enabled Japan to build up substantial foreign exchange reserve. The trend has changed recently, as the expanding gap between imports and exports has exceeded the surplus in visible accounts, and for the first time since the outbreak of the Korean war a small deficit appeared during the second half of 1952; it increased to $140 million during the first half of 1953.

While receipts from foreign military expenditures are not expected to fall off drastically, since more than half of them consists of expenditures of the United States army, which will stay in Japan under the terms of the United States-Japan Security Pact, their gradual tapering off will enhance the necessity of obtaining foreign exchange by expanding normal export trade.[3]

Chart 26



JAPAN: VALUE OF IMPORTS AND EXPORTS

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[1] In 1952/53, bank loans financed only 10 per cent of the increase in fixed capital assets, as against 25 per cent in 1950/51, while the importance of government loans rose from 8 to 29 per cent.

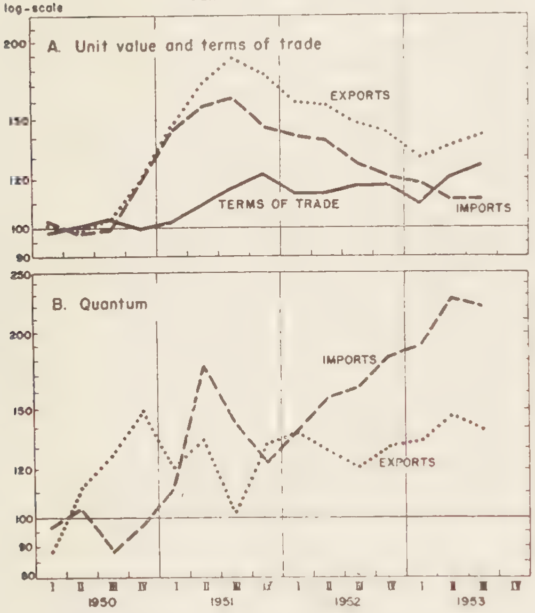
[2] Pursuant to the Long-Term Credit Bank Act of 1952, a commercial bank was turned into an investment bank and a new investment bank was established.

[3] Out of $824 million extraordinary receipts during 1952, direct procurements for the Korean war amounted to $260 million, of which about 70 per cent were commodities and the rest were services. In addition to this, a part of the personal expenditures in Japan by the United States military personnel amounting to $288 million is also directly related to the Korean war. The trade deficit in 1953 is reported to be $1,100 million.

The balance of payments problem appears even more serious when the prices and volumes of trade are analysed. Japan is probably the only industrial country whose terms of trade have improved during the Korean war boom. Partly as a result of the unusual rise in export prices between 1950 and 1951, Japanese terms of trade have not benefited much from the later fall in raw material prices, since inflated export prices have had to be reduced as conditions become more competitive on the international markets. Since domestic wholesale prices have shown considerable rigidity during the last two years, prices have tended to differ between the domestic and export markets. These price differentials have been favoured by a number of measures taken by the government to encourage exports, such as the foreign exchange bonus system, and the link between textile exports and permits for raw material imports. Despite these measures, a situation where domestic sales are more profitable than exports can only have unfavourable repercussions on the development of foreign trade.

Chart 27

JAPAN: INDEX NUMBERS OF EXTERNAL TRADE
Jan-Jun 1950 = 100



The most striking feature of the trade position is the extremely low volume of exports, which in the first half of 1953 were still only one third of the pre-war level. While textiles, the staple pre-war export, have been hardest hit, Japan has not succeeded so far in developing alternative lines that could compensate for the closing down of textile markets. While in 1952, the volume of exports of steel products far exceeded the pre-war level, and those of machinery approached it, the trend towards an increased importance of these products at the expense of textiles, which had been noticeable in 1952 and at the beginning of 1953, was reversed in the middle of the year. A steep fall in steel exports (linked to the improvement in the United States steel supply position) has more than offest the rising trend in machinery, while the textile markets have shown a marked improvement in the summer of 1953. As pointed out in the previous *Survey*, it is nevertheless only through an expansion of exports of machinery and engineering products that Japan can hope to find markets for the far larger volume of exports it needs to attain a balanced economy.

On the face of it, import restrictions seem to offer small chances for balancing trade at a lower level: while industrial production was over 50 per cent higher than the pre-war level, and consumption *per capita* just regained it, the volume of imports reached 67 per cent of pre-war only in the middle of 1953. This changed proportion of imports corresponds, however, to a basic structural change in the Japanese economy, and a higher degree of self-sufficiency appears possible. The most important factor in this change has been the fall in raw materials imports which were in 1952 less than half their pre-war volume. The main factor here of course has been the changed position of the textile industry, which has a high import content and is still operating at little more than half its pre-war level. However, as mentioned earlier, this reduction in activity was due entirely to the decline in exports, and despite the economy in raw materials imported, the textile industry, from being before the war the largest foreign exchange earner, has now become a net importer: in 1934/36, textile exports exceeded textile raw material imports by 70 per cent, while the continued increase in the share of domestic consumption out of total production resulted by 1952 in exports accounting for 77 per cent only of raw material imports. Considerable importance therefore attaches to the government plan to shift the industry to the use of synthetic fibres, where the import content is very small.

Substitution of domestic for imported raw materials has been quite widespread, in coal and pulp for instance. The natural resources of Japan being quite limited, higher costs have however resulted and rapidly diminishing returns have set in over wide areas, so that further expansion of industrial activity will probably have to be based largely on imported raw materials.

An increased diversification of the engineering industries, and a shift in imports from rice to cheaper cereals such as wheat and barley, have also been factors making for greater self-sufficiency of the economy.

The weakness of Japanese exports is of course partly accounted for by the closing down of a number of its most important pre-war markets which has notably affected the geographic distribution of Japan's foreign trade. North America has now become the most important supplier of Japan, accounting for 50 per cent of Japanese imports. Although Japanese exports to the ollar area (which, in addition to North America, cludes a number of so-called hard currency countries countries with which no trade agreements exist) have cently shown a satisfactory increase and in the first alf of 1953 had risen to $44 million a month, a great ap remained, with imports running at a little under 100 million a month. This large deficit on trade ccount was, however, more than made up by the xtraordinary receipts from military expenditure, and e level of dollar reserves had been either increasing steady up to October 1953.

TABLE 39

APAN: GOVERNMENT HOLDINGS OF FOREIGN EXCHANGE

Million dollars

End of month	Total	Dollar	Sterling	Open Account
950 Dec	557	462	54	41
951 Dec	914	583	211	120
952 Mar	1,059	643	279	137
Jun	1,161	671	355	135
Sept	1,115	651	337	127
Dec	1,035	664	249	122
953 Mar	930	739	107	84
Jun	847	745	45	57
Sept	872	774	53	45
Oct	854	759	47	48

ource: IMF

Trade with South-East Asia, which now accounts or an increased proportion of Japan's foreign transctions (30 per cent of exports and 20 per cent of mports in 1952 as against 16 per cent for both in re-war years), is carried out mostly under bilateral greements, with the exception of sterling area counries. These bilateral agreements with the open account ountries usually provide for swing credits that can be tilized by either partner. While Japan had been ccumulating some inconvertible surpluses under these rrangements up to the middle of 1952, small deficits ave recently occurred which have halved the previously xtended credits.

It is nevertheless with this group of countries that apan's accounts are most closely balanced, since trade vith the sterling area shows a considerable deficit which s not, as in the case of the dollar area, offset by subtantial invisible receipts. Japan's exports to sterling rea countries, having reached $57 million a month in he first half of 1952, fell to $33 million in the second alf and declined further to $26 million in the first half f 1953. Since imports have shown a slightly rising rend over the same period, the considerable accumulaion of sterling that had taken place in 1951 and in he first half of 1952 gave rise to a large-scale defit, vhich had by June 1953 resulted in an almost complete exhaustion of Japan's sterling holdings.[1] This sharp reverse in Japan's sterling trade position has been due to restrictions imposed by sterling area countries on the imports from Japan, when Japan wished to convert into dollars some of the sterling balances it was rapidly building up. These restrictions have, however, remained in force, particularly for textiles and consumer goods imports, even after the reversal of Japan's payments position and, threatened with a continuing deficit and the exhaustion of its reserves Japan sees itself compelled in turn to impose restrictions on imports from the sterling area. In September 1953, the Cabinet approved a foreign exchange budget of £101 million for the next six months as against £165 million for the corresponding period of 1952. Such measures imply a reversal of the policy of curtailing imports from the dollar area and expanding those from soft currency countries. It now seems to be in the interest of all the parties concerned to reach an agreement that would permit trade expansion and do away with reciprocal import restrictions that can only result in a downward spiral of the trade level.

With the increasing difficulties in expanding export elsewhere, growing interest in promoting trade with mainland China has been shown by almost every circle in Japan. The Diet passed a unanimous resolution in July 1953 on the promotion of trade with mainland China, and an unofficial group of Diet members and businessmen visited Peking in October 1953 to negotiate trade with mainland China. They have concluded an agreement with the Peking Government covering the period from October 1953 to the end of December 1954, which provides for trade of £30 million each way. But the fulfilment of this agreement may not be up to expectation. In pre-war years (1934-36 average) Japan's trade with China[2] accounted for 18 per cent of total exports and 12 per cent of total imports. After the war, trade recovered up to 1950, then was sharply reduced owing to the embargo and has again been increasing gradually since the middle of 1952. For the first four months of 1953, the value of monthly imports from mainland China was just under $2 million and that of export to mainland China, $231,000. Japan's exports are low because those commodities which mainland China really wants are under embargo and those which Japan can freely export are, in many cases, not wanted by mainland China.

CONCLUSION

The above analysis has shown that the remarkable expansion of the Japanese economy in the last few years has been financed by credit creation on a huge scale. The expansionary monetary situation which thus prevailed in the domestic market has been accompanied by a growing unbalance in foreign trade which up till recently has been masked by the high levels of foreign military expenditure in Japan. The tapering off of this source of receipts has now brought the balance of payments problem to the fore.

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[1] Japan had bought £44.3 million from the International Monetary Fund by 31 December, 1953.

[2] Excluding Taiwan, including Manchuria.

There is no doubt that Japan's trade problem is largely structural in character and that far-reaching changes are required both in the commodity composition and in the geographic distribution of exports: the *1952 Survey* had already stressed that exports of capital goods to countries undergoing development seemed to offer the best prospects for the great expansion necessary in Japanese exports. This road to a solution of Japan's problem is however beset with difficulties. The present restrictions in trade with the sterling area and the accumulation of inconvertible balances under some of the bilateral agreements point to the difficulties that might attend a rapid expansion of Japanese exports in these directions unless a suitable re-adjustment of import patterns could be effected at the same time.

More fundamentally, one of Japan's basic difficulties lies in the fact that its comparative advantage is greatest in those industries such as textiles and light consumer goods where world trade is unlikely to expand significantly, while its competitive position is weakest in precisely those lines of exports which hold the better promises of large-scale expansion. A considerable reorganization of production and a great improvement in working methods and efficiency will be needed before Japan can overcome the handicaps arising from its existing industrial structure and from the high prices it has to pay for its supplies of raw materials for the heavy industries.

In the short run the problem may be viewed as one of reconciling a rapid rate of growth in the economy with the need for higher exports. Since an improvement in trade balance involves a fall in total national expenditure in relation to national output, the rapid building up of the economy that has been taking place with its attendant high rates of fixed and inventory investment and its upswing in the consumption level could not but have unfavourable short-term repercussions on the foreign position. The price rigidity which characterized Japan's industrial products in the last two years and created considerable difficulties on the export markets may well be partly due to the high level of domestic investment demand.

Since industrial capacity does not appear to be approaching full utilization in most branches of the Japanese heavy and engineering industries, the further expansion in output needed for a solution of the export problem will require a continued high rate of industrial investment. A conflict may thus arise between the attainment of short-term expansion of exports and the longer term objective of far-reaching structural changes. While measures may have to be taken to curtail the level of investment or of consumption if the balance of payments problem becomes more acute, a continuation of the present high rates of investment is a necessary condition for bringing about a more rapid solution of the fundamental problem of the Japanese economy.

Chapter 13.

KOREA

INTRODUCTION

Inflation was chronic in the Republic of Korea even efore the outbreak of the war. Since then, it has been ggravated by an acute shortage of goods combined with harp increases in war expenditure. But supplies availble increased after the end of 1952, while monetary xpansion slowed down, and the worst phase of inflation eems to be over, although there still remain strong nflationary factors in the economy. Agricultural production in 1953 has shown a big improvement over the roceeding year, and with imports increasing, the food ituation has greatly improved. Industrial and mining roduction is also rising. Rehabilitation is getting under vay and signs of improvements are already noticeable.

PRICE AND MONETARY SITUATION

The retail price index in Pusan increased sixfold uring the first year of the Korean war, and three times uring the second year. However, the rate of price nflation has been slowing down. In June 1953, the index was only 30 per cent higher than a year ago. Price rises have been relatively sharper in consumer goods than in produced goods,[2] reflecting the acute shortage of consumer goods, foodstuffs in particular.

Table 40 shows the major causes of changes in money supply. Up to the end of 1952, Bank of Korea advances to the United Nations forces formed the most important factor. In 1952 the government account showed some surplus, offset by a sharp rise in bank loans to private and government-owned enterprises. Partly because of the cash shortage arising from the currency conversion of February 1953, bank loans rose still further, and became the main cause of inflation during the first half of 1953. At the end of March 1953, only 16 per cent of the total bank loans were financed from the commercial banks' own deposits, the rest being provided through rediscounts and direct loans by the Bank of Korea.

. The present chapter covers economic developments in the Republic of Korea.

[2] In July 1953 the wholesale price index (1947=100, Pusan) stood at 6,962 for consumer goods and at 4,049 for producer goods.

TABLE 40

REPUBLIC OF KOREA: MAJOR CAUSES OF CHANGES IN MONEY SUPPLY

Thousand million won

	Money supply		Changes in money supply		
	End of Jun 1950	End of Jun 1953	Jul 1950-Dec 1951	1952 Jan-Dec	1953 Jan-Jun
Factors increasing money supply					
Bank of Korea net advances to the government	84	340	118	—69	207
Bank of Korea net advances to United Nations forces	—	1,378	417	556	406
Bank of Korea loans	24	196	58	78	35
Other bank loans	61	1,140	164	425	491
All other causes	19	150	38	108	—16
	188	3,204	795	1,098	1,123
Factors reducing money supply					
Proceeds of aid supplies	63[a]	541[a]	135	297	46
Sale of government foreign exchange	—	561[a]	—	22	539
Bank deposits (excluding checking account)	37	593	98	216	242
	100	1,695	233	535	827
Net effect on money supply			562	563	296
Money supply as of the end of the period	88	1,509	650	1,213	1,509

Source: Bank of Korea.

a. Proceeds of sales to date stated.

The first repayment of advances to the United Nations forces was made in October 1952. By the end of June 1953 total repayments amounted to $167 million, or 11,176 million hwan, representing 81 per cent of the outstanding advances. Increasing amounts of foreign exchange from this source are being sold by the government to importers, and in the first half of 1953, the net balance of advances to the United Nations forces and of repayment from them became a dis-inflationary factor.

One of the most significant recent developments in the monetary sector was the currency conversion effected in February 1953. The old *won* was exchanged for the new *hwan* at the rate of 100 to 1. Each person was entitled to exchange old notes up to a limit of 500 hwan, the balance, after payment of overdue national taxes, being deposited with banking institutions. Out of the old note issue of 1,137 thousand million won outstanding on 14 February, 1,013 thousand million won or 89 per cent were exchanged or deposited.

The Government plan, as submitted to the Assembly in the draft Monetary Measure Bill on 25 February, was to block a large part of the deposits collected under the conversion scheme as an anti-inflationary measure. The substantial amendments made by the Assembly, however, rendered the measure almost ineffective, and after a temporary contraction in circulation, the new hwan currency issue increased rapidly. By the end of June 1953 it reached 12,960 million hwan, 14 per cent higher than that before the currency conversion. Currency has continued to increase further, and by November 1953, there was twice as much currency in circulation as at the time of the monetary reform.

FISCAL DEVELOPMENTS

The fiscal position of the Government of the Republic of Korea improved considerably during 1951 and 1952. In contrast with the preceding budget, a surplus was realised in the 1951/52 accounts. The budget for 1952/53 provided for a small deficit. This favourable situation may not continue, however, since a large part of the defence and rehabilitation expenses, now covered by the United Nations forces and various relief agencies, may have to be borne by the Government in future.

A comprehensive tax reform, introduced in 1951, resulted in large additional revenues in 1952 and 1953. The temporary land income tax produced large receipts, more than 95 per cent of which were paid in kind by farmers producing staple crops.

PRODUCTION

Agriculture

The supplies of local grains available for consumption in 1952 showed a significant short fall compared to the previous year. Rice, which accounts for nearly 70 per cent of the grain production within the country, showed a decline of nearly 13 per cent compared to the previous year. In order to make up the food deficit, 533,000 tons of grains were imported during 1952, more than half of which was brought in under the United Nations Civil Relief Programme and by the United Nations Korean Reconstruction Agency (UNKRA).

In the first half of 1953 the position was somewhat better but significant improvement occurred in the second half of the year after the harvesting of the bumper 1953/54 rice crop and some exports were also being contemplated.

The larger 1953/54 crop was the result of favourable weather coupled with increased use of fertilizer. During the fertilizer year ending 1953, total fertilizer consumption amounted to 614,000 tons; while almost double the previous year's consumption this was still lower than the 1949/50 total of 766,000 tons.

Mining and industrial production

Coal, tungsten, and graphite are the major mineral products of the Republic of Korea. *Coal* production in September 1953 was 82,000 tons, nearly 70 per cent above the monthly average of 1952. Transport difficulties and lack of storage space at the pithead are now preventing a further increase in production. *Tungsten ore* production was 626 tons (65 per cent metal content) in June 1953, double the monthly average of 1952 and about six times as much as before the war. *Graphite* production is some 2,000 tons a month, less than half the 1950 rate. Increased production is expected in response to the high level of export demand. Exports of mineral products accounted for one half of the total value of exports in 1952.

Industry has suffered extensive damage in the three years of war and is still in the initial stage of recovery. The production of cotton yarn and cotton sheeting, however, has been increasing rapidly with the repairing of damaged equipment and owing to imports of raw cotten under United Nations aid. The production of *cotton yarn* during June 1953 amounted to 3 million lbs. and exceeded the level reached before the war. *Cement* production is also increasing substantially, exceeding 4,600 tons in September 1953. *Electric power* generation has increased slightly in 1953 and exceeded the pre-war level. There is still a power shortage, however, as nearly 30 per cent of output is consumed by the United Nations forces.

EXTERNAL TRADE AND PAYMENTS

Commodity trade has had a rather limited significance in the economy of the Republic of Korea in recent years since a large part of import needs have

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[1] As Korean coal is mostly anthracite, imports of bituninous coal are necessary and 1,334,000 tons were imported in 1952.

been met from external aid. In 1952 commercial imports included in the trade statistics were only one quarter of total imports.

In 1952 exports were $27.7 million and imports (excluding imports covered from foreign aid) were $53.6 million.[1] Of the total exports, 73 per cent went to the United States and 21 per cent to Japan, while 48 per cent of imports came from Japan and 35 per cent from the United States.[2] Mineral products (mostly tungsten), marine products and scrap iron were the major export items, accounting for 53 per cent, 17 per cent and 11 per cent respectively of total exports. Half the imports consisted of foodstuffs.

During the first five months of 1953, monthly exports amounted to $14 million. Imports have risen sharply since April 1953 to $20 million a month as larger dollar repayments were made for the advances to the United Nations forces in Korea.

The balance of payments position has also improved substantially because of these receipts from the United Nations Command. Thus total dollar holdings[3] increased from $13.7 million at the end of July 1952 to $76.2 million at the end of March 1953. It had declined to $48.7 million by the end of June 1953, owing to the increased release of dollars to importers.

FOREIGN ASSISTANCE

The Republic of Korea received foreign aid goods consisting of foodstuffs, fertilizers, raw cotton etc. valued at $110 million in 1951 and at $153 million in 1952. Economic rehabilitation has got under way since the second half of 1952. Various United Nations specialized agencies, including FAO, WHO and UNESCO, have sent missions to Korea and on the basis of their recommendations, an overall reconstruction plan was being prepared during 1953. A $70 million programme for the relief and rehabilitation of Korea was initiated by UNKRA for the year ending June 1953. In addition, $130 million is expected to be allocated through UNKRA for the year ending June 1954. These funds are directed primarily to the rehabilitation of agriculture, industry, education, housing and public health, as well as to the import of basic commodities.

The United States Congress has also approved the appropriation of $200 million for the reconstruction of the Korean economy for the year ending in June 1954. The expenditure of this appropriation was being studied by the ROK-USA Joint Economic Commission. Thus total foreign aid to the Republic of Korea for the year 1953/54 will account for about 30 per cent of the estimated gross national product[4] and rehabilitation should make rapid progress.[5]

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[1] Figures from the foreign exchange statistics.

[2] Air imports are excluded.

[3] Total of the holdings of the government, of the Bank of Korea and of private business legally held in account with the Bank of Korea.

[4] *Preliminary Report on Economic Reconstructon of Korea* (UNKRA/AG/13), 15 December 1952.

[5] Few economic data are available regarding the Korean People's Democratic Republic. It is known however that the Korean People's Democratic Republic has concluded agreements both with the USSR and the People's Republic of China, which promise aid amounting to one thousand million rubles ($250 million) and 8,000,000 million People's Bank Yuan (about $300 million) respectively for a four-year period beginning in 1954.

Chapter 14.

MALAYA AND BRITISH BORNEO[1]

INTRODUCTION

The two factors which have dominated the Malayan economy since 1950 have been the spectacular rise and fall in the prices and export values of rubber and tin, and the state of emergency, which has absorbed in defence a rising proportion of government expenditure.

The inflationary pressures generated by the increase in export incomes was only partially offset by the export duties and new taxes which were levied. Much of the increased purchasing power had to be absorbed by substantially increased imports, even though the government accounts were in surplus, and thus fiscal policy contributed to controlling the potentially serious inflationary situation.

Within the past two years inflationary pressures have abated. Although there is still some backlog of demand in Malaya within the private sector and the government budget for 1953/54 shows a deficit, the situation is more stable. Moreover, the emergency is now more under control and its hampering effect on economic development reduced.

PRODUCTION AND DEVELOPMENT

Rubber and tin

Rubber: In the peak year of 1951 rubber accounted for about 65 per cent of total export value as against about 50 per cent in 1948. The quantities exported were about the same in each year, but in 1951 the value was four times as great.

Both exports and production of rubber are sensitive to price changes, but exports tend to lag behind. Thus in 1950 production rose under the influence of rising prices, while exports were actually less than those of the previous year and only increased in 1951, when production was already falling as spot prices declined.

Production is concentrated in Malaya, which contributes about 90 per cent, and in British Borneo. In Malaya estate production was higher than smallholding production, but it was the latter which provided the increase in output during the boom. Smallholding production rose by 17 per cent to 322,000 tons in 1950, whereas estate production fell by 6 per cent during the same year, to 383,000 tons. The increase in smallholding production was only achieved by tapping trees hitherto uneconomic and by 'slaughter-tapping.'

The decline in production in 1951 and subsequent years, brought about by falling prices, was likewise concentrated on smallholding production, which fell in successive years to a low annual rate of 233,000 tons over the first nine months of 1953. Estate production was meanwhile stabilized at about 340,000 tons. The decline in smallholders production since 1951 was also because of earlier intensive tapping and the growing age of the trees.

In Malaya over 60 per cent of the 1.4 million acres of small holders' rubber was past the normal replanting age of 30 years in 1952, and so were large areas of estate rubber. Accordingly, a scheme was launched in 1951, establishing a Rubber Cess Fund to subsidize replanting of small holders' rubber at the rate of M$400 per acre. This grant would cover about two-thirds of the cost of replanting at 1952 prices and the funds are provided by small levy on exports. It is estimated that replanting with selected seedlings will raise the output per acre by at least three times. The 1953 replanting target of 50,000 acres however is unlikely to be reached.

Tin: Production of tin-in-concentrates in Malaya in 1949 was only 71 per cent of production in 1937, and amounted to 56,000 tons.[2] However, the rapid increase in tin prices brought more mines into operation, and in 1950 the output had increased to about 59,000 tons. In 1951 prices began to fall, and from then onwards the number of mines in operation declined, so that in the first eight months of 1953 production was about the same as it had been in 1949. The emergency has limited prospecting and little deep drilling has taken place.

Tin smelting plants in Malaya process both domestic and imported concentrates, the imports coming mainly from Thailand and Burma. About 16 per cent of total export value both in 1938 and in 1949 was accounted for by tin. During the Korean war boom the relative importance of tin declined, in spite of an absolute increase, because of the far greater rise in the price and export value of rubber. But, unlike the price of rubber, the world price of tin continued stable from January 1952 to March 1953, then fell sharply, so that the price in London in August 1953 was 40 per cent below the February 1953 price. The unit value of tin metal exports from Malaya fell rather less—by 34 per cent—although fulfilment of contracts maintained the quantity exported within two per cent of exports in 1952.

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[1] Malaya covers Federation of Malaya and Singapore, while British Borneo covers North Borneo, Brunei and Sarawak.

[2] All figures refer to metal content.

The rise in wages during the boom has left the industry with a somewhat higher cost structure, and thus though the price of tin in August 1953 is still higher than prior to the boom, the incidence of export taxes, levied according to a sliding scale, is somewhat greater in relation to profits.

Food

While rice is the most important food crop in Malaya and British Borneo, domestic production in Malaya covers only about half of requirements. During the Korean war boom, the area sown to paddy in the Federation of Malaya declined by 6 per cent in 1950/51 and a further 5 per cent in 1951/52, mainly because of labour shortage resulting from its shift to rubber tapping and recruitment by the security forces.[1]

The output of rice, however, was not affected in 1950/51 because of good weather and high yields, but declined sharply in 1951/52, when part of the planted area could not be harvested because of damage by drought, pests and disease and because of declined yields in the areas harvested.

When the prices of rubber and tin fell, the production of rice became relatively more profitable. Increase in planted area, good weather and greater care given to the paddy crop under improved security conditions, resulted in a substantial increase in output in 1952/53, bringing it back to the pre-boom level.

Despite the decline in rice output in 1951/52, imports of food grains did not increase in 1952, stocks built up in 1951 being used to meet requirements. Subsequent replacement led to an increase in imports in the first eight months of 1953, in spite of the better 1952/53 crop. Offtake of rationed rice in 1953 was much lower than in 1952, reflecting the easier domestic supply position and perhaps some decline in consumption, due to higher rice prices and the fall in money incomes.

Although only a small part of development funds are devoted to agriculture, it is planned to expand rice production in Malaya, North Borneo and Sarawak, as part of a general expansion of agricultural production intended to reduce dependence on imports. One estimate suggests that rice production in Malaya in 1956/57 will be about 30 per cent higher than in 1952/53.[2]

In 1951 and 1952 emergency conditions reduced the output of sweet potatoes, yams, maize and vegetables by Chinese farmers in the Federation of Malaya, but the resettlement of Chinese squatters starting in 1951/52 resulted in rising output in the following year.

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[1] Other factors were inadequate water control in certain areas, insecurity of tenure, insufficient subsidies for colonists in new areas and the attraction of higher earnings in mining.

[2] *Food and Agricultural Programmes and Outlook in Asia and the Far East,* (Working paper submitted to FAO Regional Meeting), Bangalore, 1953.

TABLE 41

MALAYA AND BRITISH BORNEO: SUPPLY OF PRINCIPAL FOOD GRAINS

Thousand tons

	1934-38	1949	1950	1951	1952	1953
Malaya						
Rice production	318.1	312.1	442.8	449.9	346.5	448.1
Rice imports (net)	540.6	503.0	443.0	506.9	430.0	491.0[a]
Wheat and wheat flour imports (net)	77.2	128.2	165.8	170.9	176.8	93.8[b]
Brunei						
Rice production	1.2	4.3	3.7	3.7	2.5	..
Rice imports (net)	2.7	2.6	1.7	3.2	..	..
Wheat and wheat flour imports (net)	0.4	0.7	0.8	0.5	..	..
North Borneo						
Rice production	12.4	22.3	29.1	29.1	21.7	..
Rice imports (net)	15.4	12.7	8.4	15.9	14.4	14.0[c]
Wheat and wheat flour imports (net)	1.5	4.1	3.3	4.8	3.6	4.5[a]
Sarawak						
Rice production	91.8	..	78.7	68.2	50.8	..
Rice imports (net)	33.7	11.7	19.7	31.9	28.8	..
Wheat and wheat flour imports (net)	2.3	2.3	4.4	3.3	2.8	..

Sources: FAO and Department of Statistics, Malaya.

Note: Rice production based on figures for paddy assuming milling equivalent of 62 per cent. Wheat flour has been converted into wheat equivalent, assuming as extraction ratio of 70 per cent.
For the purpose of this table production relates to the crop year immediately preceding the calendar year indicated. Thus 1953 production relates to the 1952/53 crop which is available for consumption in 1953.

a. Jan-Aug at annual rate.
b. Jan-Oct at annual rate.
c. Jan-Sept at annual rate.

Industrial and mineral production

Electricity: Generation of electricity in Malaya in 1949 was 67 per cent above the 1938 output of 428 million kwh because of the fuller utilization of capacity. By 1952 it had increased further to 961 million kwh. Expansion of power capacity is an important part of the development programme in Malaya and British Borneo, and large increases have already been made in the last few years. A new power station in Singapore will have an ultimate capacity of 150,000 kw by 1959, as compared with the existing capacity of 32,000 kw, and M$28 million had been spent by the end of 1952 out of a total estimated cost of M$90 million. The first 25,000 kw turbo-alternator was brought into operation in December 1952, and the second was completed in the second half of 1953. In the Federation of Malaya the Connaught Bridge Power Station started operating with a capacity of 40,000 kw early in 1953, and this capacity will be doubled when the station is completed.

Lignite: Production of lignite in Malaya, which is relatively small and in 1950 was still 12 per cent below pre-war, fell sharply in 1951 and 1952, as labour moved to the rubber industry. In the first half of 1953 output continued at the same rate as in 1952, 25 per cent lower than in 1950. The coal shortage was felt in a number of industries, and was met by increased use of electricity and by substantial coal imports. Imports increased from 95,000 tons in 1950 to 180,000 tons in 1952 and continued at that rate in 1953.

Petroleum: Production of crude petroleum from Brunei in 1948 at 2.7 million tons was almost four times as high as pre-war at 2.7 million tons, and doubled again between 1948 and 1952 as a result of further explorations and investments. The industry dominates the economy of Brunei, and accounts for over 95 per cent of the value of exports. In Sarawak crude petroleum is imported from Brunei and exported after refining. Local production is small and declining. In recent years the value of crude oil imports and of the exports of refined petroleum products accounted for about 60 to 70 per cent of total imports and exports respectively. The petroleum industry in Brunei and Sarawak has given stability to these two territories in spite of the Korean war boom and slump. Their export earnings from crude oil and petroleum products continued to increase in 1951 and 1952.[1]

Iron ore: After a very slow recovery in early post-war years output of iron ore reacted sharply to the increase in demand and price consequent upon the Korean war boom and upon the increase in Japanese steel production. Output of iron ore in the first ten months of 1953 amounted to an annual rate of about one and a quarter million tons, about 80 per cent of pre-war. Some 85 per cent of production is sold to Japanese firms which are interested in developing further their supplies from Malaya.

Manufactures: Demand for manufactured goods increased with money incomes. In Malaya the building boom made possible the establishment in 1952 of a cement factory with a capacity of 100,000 long tons per annum and production began in 1953. Production of bricks increased by 21 per cent between 1950 and 1952 but fell slightly in 1953. The first cotton mill was established in Singapore towards the end of 1952, with 10,000 spindles and capable of producing 600 bales of cotton yarn per month. Production of canned pineapples increased by 75 per cent in 1950 and again by 44 per cent in the first eight months of 1953. Rubber manufactures and other consumption goods, after uniform increases through 1952, showed divergent movements in 1953.

Investment

Under the impact of the Korean war boom, gross investment in Malaya increased substantially (from M$3,426 million in 1949 to M$5,419 million in 1950), though not as rapidly as national income. Investment was equally slow to respond to the fall in incomes and in fact continued to expand in 1952, as shown by an increase in imports of capital goods from £53.4 million in 1951 to £62.1 million in 1952. The rate of imports of capital goods was lower in 1953 than in 1952, but public investment was still increasing.[2]

INFLATION, DEFLATION AND BALANCE OF PAYMENTS

Inflation

Because of its unusual dependence on exports and because of the price instability displayed by its major export commodities, the economy of Malaya has been exposed to sharper fluctuations than any other in the region. Thus, the money value of national income rose by 62 per cent between 1949 and 1950, a change of exceptional magnitude, since the cost of living increased by only 12 per cent, and total gross exports—which accounted for 50 per cent of gross national output ı 1948 and 1949—rose to over 70 per cent in 1950. Ieasures taken by the government, notably the increase ı export taxes, proved entirely inadequate to deal with ıch violent fluctuations and the great bulk of the ıcrease in export earnings resulted in the creation of ıdditional purchasing power.

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[1] Brunei's export earnings from crude petroleum increased from M$199 million in 1950 to M$271 million in 1952, and Sarawak's export of petroleum and products (including re-exports of Brunei petroleum refined in Sarawak) increased from M$227 million in 1950 to M$307 million in 1952.

[2] In 1951 and 1952, the development was hampered by shortages of technical personnel, labour and material but in 1953, these bottlenecks were largely eliminated.

The increase in money income was spread throughıut the economy. In the boom period, smallholders' ubber production was almost as large as that of the states, and the estates themselves had to share their ıcreased earnings with their labour force. Early in 951, workers on rubber plantations obtained a special prosperity allowance" linked to the price of rubber, in ddition to the basic wage and cost of living allowance. 'hese various benefits helped to raise the wage index f workers on rubber plantations which rose to a peak f 264 (Jan. 1947 = 100) in the second quarter of 1951. /ith prices of rubber falling in the second half of the ear, the index fell to 209 in the fourth quarter.

Benefits from tin production were equally widely istributed. A number of small new undertakings were arted and shared in the profits of the trade. The wners of large mines granted wage increases which rought the wage index for unskilled mine workers to 14 (Jan. 1947 = 100) in March 1951.

The increase in private expenditure, though not so apid as that in money income, drove up the cost of ving, compelling wage increases for government mployees and workers in domestic industries. These ıcreases were not obtained without friction, but in view of the level of profits, employers preferred to grant labour its demands rather than face the threat of strikes.

In view of the expansion in business activity and money incomes, the 45 per cent increase in bank credit in 1950, and the 15 per cent increase in 1951, do not appear to have been active contributory factors to inflation. Considerable stockbuilding, nevertheless, took place and the expectation of continued prosperity led to substantial overstocking of textiles at the beginning of 1952. As a result, the volume of imports of cotton textiles which had shown a most spectacular rise between 1949 and 1951 declined by 40 per cent between 1951 and 1952.

Chart 28

MALAYA: VALUE OF IMPORTS AND EXPORTS

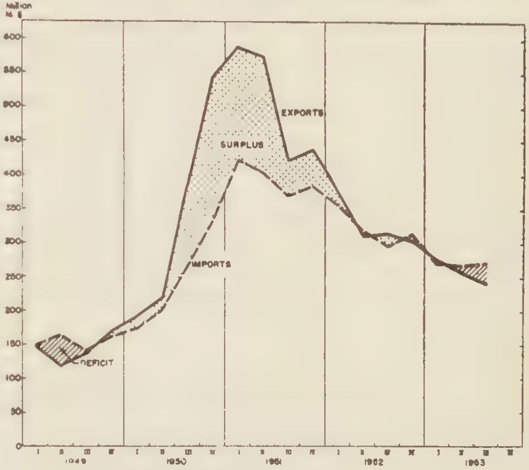


TABLE 42

MALAYA: INDICATORS OF INFLATION

	1949 to 1950	1950 to 1951	1951 to 1952	1952 to 1953[a]
Private incomes (Million M$)				
A. Changes in value of net exports of tin and rubber	1,399.8	964.7	—1,355.2	—523.7
B. Changes in export duty on rubber and tin[b] ..	74.9	148.9	— 110.0	— 66.7
C. Changes in private incomes due directly to domestic exports of tin and rubber (A-B)	1,324.9	815.8	—1,245.2	—457.0
Banking and finance (Million M$)				
D. Change in currency in circulation[c]	215.1	130.6	22.7	— 46.7[d]
E. Change in total of loans, advances and bills discounted of commercial banks[c]	165.5	81.9	— 149.3	— 10.6[d]
Index numbers of wages and prices (previous year = 100)				
F. Domestic servants	103.7	112.2	110.5	105.3
G. Lowest paid government workers in Singapore[e]	..	154.3	117.6	..
H. Unit value of imports	114.1	125.6	89.4	..
I. Cost of living of Malay labourers				
Total	111.2	124.8	101.5	97.1
Rice and rice equivalent	99.0	107.2	105.8	107.0

ources: Department of Statistics, Malaya and Department of Labour, Singapore.

.. Jan-Sept at annual rate. Index numbers Jan-Sept average.

., Excluding replanting and research cesses which in any case revert back to the industry.

c. Dec-Dec.

d. Dec 1952—Sept 1953.

e. Inclusive of allowances.

The increase in earnings from exports was so rapid and spectacular that there was little that the government was able to do to prevent the increase in income from producing inflationary conditions. Export duties on tin and rubber were increased in 1951, but, taking together the years 1950 and 1951, they siphoned off less than 10 per cent of the increased earnings. Corporation income taxes were raised both in Singapore and in the Federation of Malaya—in Singapore from 20 to 30 per cent—but only a drastic excess profits tax would have been effective under the circumstances.

In order to absorb purchasing power the government abolished most of the remaining import controls of goods from the sterling area and substantially relaxed restrictions on hard currency imports: thus import licences issued for hard currency imports increased from M$92 million in 1949 to M$478 million in 1951. The substantial budgetary surplus which developed during the boom was an anti-inflationary factor of some significance; nevertheless, price controls and rationing had to be continued and private consumer cooperatives were fostered to avoid excessive profit taking at the retail level. Owing, however, both to the volume of purchasing power and to increases in foreign prices, the price level shifted markedly upward even for controlled or rationed goods.

Deflation

The fall in export prices after the middle of 1951 was a major deflationary factor in Malaya and North Borneo, while Brunei and Sarawak were not much affected because of the importance of the oil industry and the stability of oil prices. In Malaya the unit value of export in 1952 was 27 per cent below the 1951 level and the quantum of exports also fell by 15 per cent. The decline in private income was, however, cushioned to some extent by falling export duties, which were on a sliding scale. Just as in the boom, wages in the rubber industry had risen with a time lag, so in the decline they also fell with a time lag, partly because the "prosperity allowance" was based on the average price of rubber in the previous quarter and partly because some of the unions succeeded in resisting downward adjustments. Wages in the tin industry also declined in 1952 and 1953, but in other sectors of the economy they hardly fell since the cost of living continued to increase, although slowly, through 1952, and began to decline only in 1953. Because expenditure lagged behind income and also partly because the downward rigidity of wages resulted in a greater reduction in profits than in wages, private expenditure did not in 1952 and 1953 fall as rapidly as money incomes and the cash balances accumulated during the boom were spent during the period of price decline.[1]

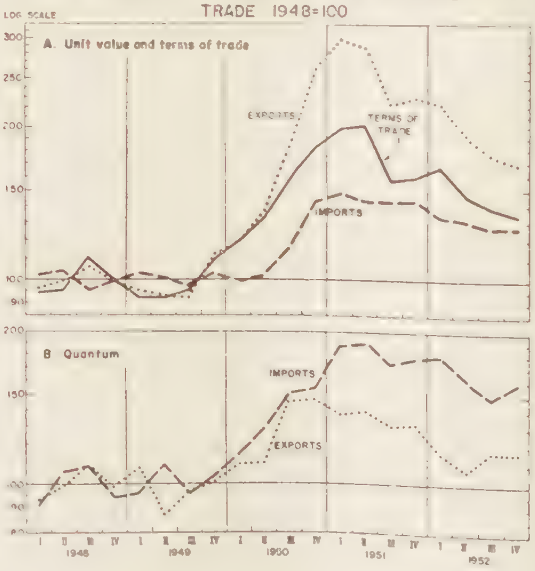
With the fall in incomes and prices, many of the anti-inflationary measures of the government were relaxed; restrictions on building construction and control over materials were loosened in Malaya, and licences for hard currency imports were restricted as more goods became available from the Sterling area.

Balance of payments

The balance of payments of Malaya was completely dominated by the export fluctuations. The unit value of exports on the basis of 1948 = 100 rose from 98 in 1949 to 258 in 1951, and the quantum of exports increased by 37 per cent during the same period. The quantity of imports, on the other hand, increased by 81 per cent between 1949 and 1951, and while there was a rise in import prices it was extremely modest by comparison with exports. As a result, during the period between July 1950 and June 1951, which marks the peak of the boom, the export surplus reached nearly M$2,000 million, and despite a rise in dividend and profit transfers (which took place mostly in 1951) there were a large-scale balance of payments surplus and accumulation of foreign exchange holdings. In the recession, on the other hand, imports fell far less than exports, and the large trade surplus of 1951 turned into a small deficit in 1952, which grew larger in 1953. The sharp fall in profit transfers may account for the surplus on invisible transactions in 1952.

Chart 29

MALAYA: INDEX NUMBERS OF EXTERNAL TRADE 1948=100



Since rubber accounts for a large proportion of the value of exports from North Borneo, it is not surprising that the trade of that territory displayed movements strictly parallel to those of Malaya. In Brunei and Sarawak, on the other hand, the expansion of the oil industry resulted in continued export surpluses, which, however, were declining sharply in 1952 in the case of Sarawak.

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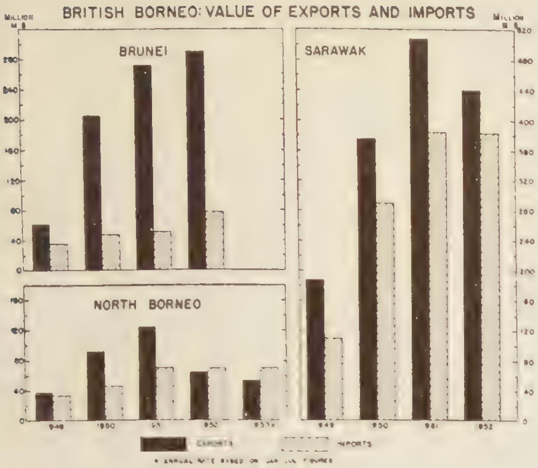
[1] The excess of private expenditure over private incomes is indicated by the fact that in 1952 the government's budget surplus was much larger than the surplus in the balance of payments while in 1953 the budget deficit was much smaller than the balance of payments deficit.

Chart 30



Jan-Aug at annual rate.

The balance of payments surplus of 1950 and 1951 creased substantially the level of foreign exchange serves in Malaya. As Malaya has no central bank but tilizes a rigid exchange standard where currency varies irectly with foreign reserves, the increase in the note sue by M$368 million between December 1949 and ecember 1952[1] reflects increased sterling holdings of e Currency Board. Foreign investment (mainly erling securities) of the Federal Government of Malaya nd the Singapore government increased from M$19 illion at the end of 1949 to M$387 million at the end f 1952. As there is practically no exchange control ver transactions within the sterling area, additional ortions of the foreign exchange accruals on private ccount were also held by commercial banks on private ccount.

Under the 100 per cent foreign exchange standard, udgetary deficits are limited by the extent of previously ccumulated surpluses on government account, and changes in foreign exchange holdings will tend to reflect earning and consumption levels in the private sector, rather than government expenditure on economic development. This system also explains why the rise in security expenditure is forcing the Government of Malaya to depend on external assistance to finance part of the development programme while it has a 100 per cent foreign exchange backing for its currency.

PUBLIC FINANCE

As with the balance of payments, government revenue increased in the boom far more rapidly than expenditure. Budgetary deficits were therefore reduced or eliminated and surpluses, where they existed before the Korean war as in the Federation of Malaya, Singapore and Brunei, increased substantially in 1951 and 1952. The recession caused a decline in revenue, though with a considerable time lag for income taxes, while expenditure continued to increase, and budgetary deficits arose in all territories except Brunei in 1953.

Revenue had increased in 1950 and 1951, owing mainly to the expansion of business activity and to an increase in tax rates. Sliding scale export duties on rubber and tin were introduced in the Federation of Malaya, and income tax rates were raised both in the Federation of Malaya and Singapore, while import duties were also increased on a number of luxury consumption items. Income tax, as well as additional customs duties, were imposed in the territories of British Borneo in 1949 and 1950. In 1952 and 1953, the revenue from foreign trade taxes fell off rapidly, while income tax payments remained at a high level, for they lag behind the earning of income; the proceeds from indirect taxation were sustained to some extent by the fact that expenditure did not decline as much as income.

The bulk of this increase, M$310 million, took place in the 12-months from July 1950 to June 1951.

TABLE 43

MALAYA: BALANCE OF PAYMENTS

Million M$

	1949	1950	1951	1952
Exports	1,678	4,015	6,076	3,918
Imports	1,839	2,916	4,756	3,873
Trade balance	—161	1,099	1,320	45
Non-trade receipts (net)	172	..	—214	86
Balance on current account	11	..	1,056	32

Sources: Consultative Committee on Economic Development in *South and South-East Asia, Report.*

TABLE 44

FEDERATION OF MALAYA: GOVERNMENT REVENUE AND EXPENDITURE

Million M$

	1949	1950	1951	1952	1953
Type of account	A	A	A	PA	PA
Revenue	345.2	443.4	735.5	720.7	540.7[a]
Expenditure	347.3	340.0	548.7	656.6	608.5[a]
Balance	—2.2	103.4	186.7	64.0	—67.6[a]

Sources: United Nations Fiscal Division and Statistical Department of the Federation of Malaya.

GENERAL NOTE:
Expenditure excludes contributions to State Governments and revenue includes contributions of sinking funds and other reserves; the figures, therefore, are not comparable with the special tables E and F in "Asian Economic Statistics" at the end of this volume, which represent a reclassification of budget figures by the United Nations Fiscal Division.

A = actuals, PA = provisional actuals, E = estimates, DE = draft estimates, RE = revised estimates.

a. Jan-Jun at annual rate.

The Federation of Malaya which depends heavily on export duties, saw the greatest decline in revenue, while Singapore where income tax provides the main source of revenue, experienced no decline, and Sarawak where the income tax on companies was raised in 1952 from 20 to 30 per cent, saw a continued expansion in its revenue. In Brunei, where royalties from oil extraction had accounted for as much as 64 per cent of total revenue in 1949, an income tax which falls essentially on the oil companies was introduced in 1950, and contributed over 55 per cent to total revenue in 1951 and 1952.

While expendiure was slower to respond to the impact of the boom, it continued to increase after the boom was over as government employees retained their salary increases and the development programme gathered momentum; investment expenditure in 1952 and 1953 in all the territories were more than double the 1949 level; in fact in Singapore it was over four times and in Sarawak over six times that level. With the price declines that occurred in 1953 it proved possible to effect substantial economies on some of the development projects which should enable governments to finance additional projects later on. In the Federation of Malaya, a sharp increase took place in expenditure connected with defence and security. These expenditures rose in 1952 and 1953 to almost 25 per cent of the total following he intensification of measures to control the emergency.

CONCLUSION

Malaya provides an extreme example of the instability of raw material exporting countries. The flexible apparatus of sliding scale export duties, while it was put in force too late to affect materially the internal repercussions of the Korean war boom, has been retained and would no doubt increase the resistance of the economy to shocks arising from variations in foreign demand. However, it hardly provides the Federation with the firm revenue foundation needed for economic development; and some stability in revenue is of particular importance in the territories in view of the nature of the currency system and the limited opportunity for internal borrowing by the government.

The two great requirements of the Federation appear to be diversification of the economy and the improvement of the competitive position of the export industries. Replanting with higher yielding strains is a useful step towards raising the productivity of the rubber industry, but the growth of a more varied production and export structure is bound to be slow, and little progress is apparent at present.

Chapter 15.

NEPAL

The economy of Nepal is primarily agricultural. Forests, occupying three quarters of the area, provide an important source of revenue and exports; rice, jute, and oil seeds are also exported in exchange for consumer goods, chiefly from India. Modern industries are extremely limited, and modern means of transport inadequate. The government has recently appointed an Economic Development Committee which has prepared a draft development plan, but limitation of resources, despite assistance from India and the United States, severely restricts the scope of action.

AGRICULTURE

The country, with 3.6 million acres under *paddy*, is self-sufficient in food, and exports a part of it to India. But population growth will demand an increase in food production. The Five Year Village Development Programme, akin to the Community Development Project in India, is expected to yield an increase of 10 per cent in rice production, 20 per cent in wheat, 20 per cent in maize and 100 per cent in potatoes.[1] Irrigation is being extended to bring more land into cultivation. Two small canals each irrigating 2,500 acres are under construction. United States Aid will assist in the completion in 1954 of 10 major tube-wells, one flow irrigation project in Central Terai, and river irrigation in four localities, which are expected to irrigate altogether 16,000 acres of land. For these and other irrigation projects, the Government of India is providing a five-year grant of Rs. 5 million[2] beginning 1951/52. An expert from the Food and Agriculture Organization is making a survey of the water resources of the country.

Dairy farming is being developed with the help of a Swiss expert. In Kathmandu itself a central livestock development farm has been opened, with Sindhi cows and bulls from Pakistan to improve local breeds.

Almost all the *forest* lands are State property and Forest management is a State enterprise. Income from the sale of forest products was expected to yield Rs. 3.2 million in revenue during 1952/53.

Under the newly organized *fishery* section of the Department of Agriculture, all available ponds and tanks in Kathmandu have been stocked with fish imported from Bihar, as an experimental measure.

INDUSTRY AND TRANSPORT

Apart from the few handicrafts which constitute a secondary source of income, the country has only one jute mill, with a second one under construction, a cotton textile mill, a sugar factory, a ply-wood and bobbin factory, and several rice, flour and oil mills—all at Birantnagar near the Indian province of Bihar at the southern border—and a cigarette factory and a match factory at Birganj. These enterprises are privately owned and the government is using its limited resources for the development of transport and power. A 1,500 KW diesel plant is being set up temporarily to supply electricity to Kathmandu.

The chief problem in Nepal is the shortage of transport both within the country and with the neighbouring countries. Roads carry the bulk of the traffic, although there is a small railway and a newly started air service. The government has given out leases to private undertakings to construct roads in exchange for the privilege of collecting road tolls. These private toll roads cover about 200 miles.

In order to facilitate trade between Central Nepal and India, construction of 79 miles of motor road between Kathmandu and Bhaise was started in September 1952 with the help of the Government of India; at the end of 1953 a track suitable for jeeps had been completed. Routes for nearly 900 miles of motor road have been surveyed, also with the help of Indian engineers.

A 50-mile metre-gauge railway line connects Nepal with Raxual in Bihar, the Indian railhead to Nepal. It is owned and operated by the government.

In the mountainous northern part of the country, transport by air appears to be the only efficient means and has been given a high priority by the government. Since 1952/53 five important districts have been linked by air services. Air Nepal Ltd., a semi-government concern, has been incorporated to run the internal and external air lines of Nepal.

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[1] The project, undertaken with United States Aid and costing Rs. 12 million, provides for the establishment of two training centres, one at Kathmandu for the hill area and the other at Parkauli for the Terai areas where village leaders in groups of fifty are trained for a period of six months in agricultural methods and techniques. In 1952/53, 100 boys were trained and 80 of them posted at 5 development centres serving 37 villages in all.

[2] Unless otherwise specified, all rupee figures are given in Indian rupees.

EXTERNAL TRADE

Nepal's trade is conducted largely with India, and to a small extent with other countries through India.

Exports are agricultural and forest produce, including food grains (especially rice), oil seeds, ghee, raw jute, hessian cloth, etc. The imports are mainly consumer goods, such as cotton textiles, sugar, salt, petrol and kerosene, matches and metals, and include only small amounts of capital goods.

For the nine-month period ending 31 December 1952, when the value of trade between Nepal and India was published for the first time, Nepal, with a total export value of Nep. Rs. 58.6 million and a total import value of Nep. Rs. 32.2 million, had an export surplus of Nep. Rs. 26.4 million.[1] This was mainly due to substantial increases in the exports of food grains and oil seeds.[2]

In 1953 the rate of exchange with the Indian rupee, which was already low, fell further from Nep. Rs. 149 for Ind. Rs. 100 in February 1953 to Nep. Rs. 156 in April and Nep Rs. 162 in June. Indian money, it may be noted, circulates in the country as freely as Nepal's own currency. The Government of Nepal has decided to set up a central bank, which is to stabilize the rate of exchange between the two countries.

TABLE 45

NEPAL: GOVERNMENT BUDGET[a]

Million Indian Rs.

	Expenditure	Revenue	Balance
1950/51	24.7	28.1	3.4
1951/52	52.5	29.5	—23.0
1952/53	51.0	39.1	—11.9

Source: United Nations Fiscal Division.

a. Revenue excludes Rs. 1 million annual grant from the Government of India for five years beginning 1951/52. Figures shown are budget estimates.

PUBLIC FINANCE AND DEVELOPMENT EXPENDITURE

The traditional tax system consisted primarily of the land tax and customs duties. In the fiscal year 1950/51, which was the last year of the rule of the Ranas, land tax accounted for one half of total revenue.

The first budget after the change of rule was prepared in 1951 for the fiscal year 1951/52; and a second one in 1952 for the year 1952/53. Information on the third budget which would have been presented this year is not available.

The more drastic change since the period of the Ranas was the increase in public expenditures, which more than doubled in 1951/52. The new government expanded its administration and increased its activities in the social and economic fields. Salaries of the civil services were increased, and food subsidies were instituted. The outlay on public works and public undertakings was expanded considerably. There was also an increase in defence expenditure.

Development outlays

In the two years 1951/52 and 1952/53, Rs. 4.9 million, out of the aggregate development expenditure of Rs. 21.7 million, were met from the revenue budget, the balance being financed mainly through external assistance.

For 1953/54, the Government of Nepal has proposed to appropriate Rs. 2 million, out of a total development expenditure of Rs. 4.7 million, from its own budgetary revenue, while the other Rs. 2.7 million are expected to be provided by external assistance.

In all, over the three fiscal years 1951/52 to 1953/54, external assistance from India and the United States is expected to contribute three quarters of the total development expenditure, the other quarter being financed from Nepal's own resources.

TABLE 46

NEPAL: DEVELOPMENT EXPENDITURE. 1951/52 TO 1953/54

	Amount ('000 Indian Rs.)	Per cent
Transport and communications ..	10,973	41.5
Road construction	9,133	34.5
Airfields	1,000	3.8
Agriculture	5,800	21.9
Irrigation	3,449	13.0
Diesel lift pump	357	1.4
Village development	1,162	4.4
Farmers' supply service	452	1.7
Power	2,000	7.6
Public health	1,696	6.4
Aerial survey	5,000	18.9
Other	969	3.7
Total	26,438	100.0
Financed by:		
Nepal	6,917	26.2
India	16,100	60.9
USA	3,421	12.9

Source: Consultative Committee on Economic Development in South and South-East Asia.

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[1] *Business Digest of India*, April, 1953, p. 51.

[2] The total export from Nepal, Tibet, Sikkim and Bhutan to India, in terms of thousand maund (1 maund=82 2/7 lb.), was as follows

	Apr-Dec 1951	Apr-Dec 1952
Food grains	206	716
Oil seeds	92	220

Sources *Indian Trade Journal*, 26 September 1953, p. 1113.

Chapter 16.

PAKISTAN

INTRODUCTION

During 1952 Pakistan shared the difficulties of most raw material exporting countries arising from a sharp decline in the export prices of the main export crops, cotton and jute; at the same time a fall in food production created internal stresses and substantially increased import requirements. Price support schemes were introduced for cotton and jute and the government made large development expenditures. There was a budget deficit, and domestic incomes remained high even though export earnings were falling sharply. There was a large deficit in the current balance of payments.

In the first half of 1953 severe import restrictions restored equilibrium in foreign payments, and help received from the United States, Canada and Australia in wheat gifts and loans towards the end of 1950 has contributed to the relief of pressure on both the balance of payments and the budgetary position.

However, the equilibrium has been purchased at the expense of some price rises at home and an increase in inflationary pressure which the government is now trying to hold in check by a system of price controls and rationing. Meanwhile, the government is curtailing its current expenditure, but is still incurring a substantial deficit in the interest of development.

In this situation too great a rise in private investment might have added dangerously to the inflationary perssure, but so far no large expansion in private investment has occurred, in spite of the steps taken by the government to encourage it. Meanwhile, public and publicly sponsored investment has resulted in substantial increases in industrial capacity from the very low level existing at the time of partition, and has allowed the application of a rigid system of priorities, with which import policies have been co-ordinated.

PRODUCTION AND EXPORTS

Food production and policies

Food production reached the highest level since partition, in 1949, when, not only was the food deficit of East Pakistan covered, but a total of 200,000 tons of wheat and 196,000 tons of milled rice and other food grains were exported from West Pakistan. The position remained more or less the same in 1950, but deteriorated in 1951 when the failure of monsoons that summer resulted in a poor autumn harvest for rice and millets. Low water levels in the rivers and canals and continued drought conditions caused a drastic fall of almost 1 million tons in the spring crop of 1952. Prices began to rise early in 1952 and the government had to impose control on the prices, movement and distribution of food grains. Efforts were made to mobilize internal resources by raising the price paid by the government to the farmers to Rs. 9 per maund of wheat as against Rs. 7/8/– per maund in the previous year. An early delivery premium of annas 8 per maund was also offered. The total procurement, however, amounted to only 160,000 tons as against a target of 250,000 tons. The autumn crop of 1952 which, it had been hoped, would

TABLE 47

PAKISTAN: FOOD PRODUCTION

Thousand tons

	Pre-war average	1950	1951	1952	1953
Rice (paddy)	11,169	12,490	11,800	12,211	..
Wheat	3,183	4,022	4,016	3,112	..
Maize	364	374	402	381	2,438
Barley	153	157	164	139	..
Millets	301	479	280	274	..
Sorghum	203	242	202	211	..

Source: FAO.

make up the deficiency in food supply, also fell below expectation owing to monsoon failure and locust invasion. The deficiency in the 1952 crops had to be met by imports which amounted to 800,000 tons of wheat up to the end of February 1953.

According to available estimates, the wheat harvest in the spring of 1953 was about 20 per cent less than the low 1952 level. The total deficit in wheat during 1953 has been estimated at 1.25 million tons, and the government has arranged to secure either by gift or purchase a total of 1.5 million tons, of which 250,000 tons are to be kept as a reserve. The United States have offered 1 million tons of wheat—700,000 tons as a gift and 300,000 tons presumably as a long term loan, although the means of financing have yet to be agreed on. Nearly 159,000 tons are being given by Canada and Australia under the Colombo Plan. Counterpart funds from wheat sales will be reserved for economic development. Pakistan has also taken steps to obtain wheat in exchange for jute under barter agreements, and to intensify procurement within the country by increasing procurement prices to Rs. 12/18/- per maund.

Considerable efforts are being made to raise food production through increases both in area and in productivity. While the area sown to jute has been restricted to less than 800,000 acres, thus releasing over 1 million acres for rice or other food crops, considerable tracts of land are being reclaimed or cleared in Sind, West Punjab and East Bengal, some with assistance from the Technical Cooperation Administration (TCA). The water shortage in the Punjab is being alleviated by the construction of a series of canals and tube wells; some of the latter will be completed by the end of 1953. Higher taxes have been imposed in Sind on areas under cotton and oil seeds, while tax rebates are granted for sowing land to grain.

Efforts to increase productivity include distribution of TCA fertilizers at a heavily subsidized rate, provision of improved seeds and encouragement of double cropping.

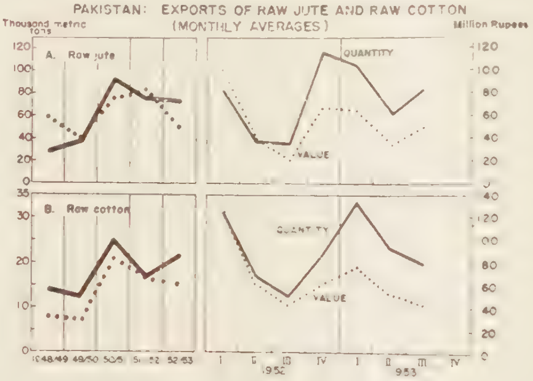
It is hoped that the Village Development Programme, initiated in collaboration with TCA and the Ford Foundation, will make a major contribution to the improvement of agricultural practices.

Export commodities

Jute: Jute and raw cotton together account for nearly 90 per cent of export earnings to which they contributed almost equally in 1952. At 1,150,000 tons, the jute crop of 1951 was much larger than in previous years and over 300,000 tons remained unsold at the end of July 1952. The 1952 crop which started coming into the market in August-September 1952, was even larger and together with low world demand, increased production in India, and heavy stocks with foreign purchasers, brought about a steep fall in prices: quotations in August 1952 were only about 35 per cent of the January level; and the prices remained low for the rest of the season. Thus, though the total quantity exported in fiscal year 1952/53 (878,000 tons) was only slightly lower than in 1951/52 (885,000 tons), the total value was lower by Rs. 410.6 million.

Largely owing to the limitation of acreage under jute, production in 1953 is estimated at about 540,000 tons as compared to 1,238,000 tons in 1952/53. Since the carry over from the previous year's crop is expected to be around 500,000 tons, the total raw jute supply during 1953/54 can be placed at 1,040,000 tons. Out of this, India will take up to a maximum of about 454,000 tons under the Indo-Pakistan Agreement and Pakistan's own requirements would be about 90,000 tons. The quantity available for export to countries other than India would thus be only about 500,000 tons and this might not be sufficient to meet the entire demand. The recent rise in the price of jute appears to reflect this change in supply conditions.

Chart 31



Cotton: While the increase in the 1952 cotton crop had been by no means as spectacular as in the case of jute, cotton prices also steadily declined from Rs. 124 per maund in January 1952 to a low of Rs. 61 in February 1953. As a result, the value of cotton exports declined from Rs. 777.3 million in 1951/52 to Rs. 720.5 million in 1952/53 even though the quantity exported in 1952/53 was 54,000 tons higher than in 1951/52. While steps have been taken to reduce the acreage under cotton in 1953, internal consumption is expected to increase considerably during the year as a result of the new textile mills going into production.

Since the carry over from the 1952 crop is small, Pakistan's total exportable surplus is not likely to exceed 1,300,000 bales. If Pakistan is able to export 600,000 bales to Japan, it will be left with 700,000 bales for export to other countries.

Industrial production

The objectives of development are a diversification of the economy and a greater degree of self-sufficiency. In order to reduce dependence on the sale of raw jute and raw cotton, first priority has been given to those industries which process indigenous raw materials either for home consumption or for export. Other industries given high priority include heavy engineering, fertilizers, cement and electricity supply, which constitute the basic elements of an industrialization programme. Paper and sugar production are also given due priority, since they have been costly in foreign exchange.

The programme of industrialization has made steady progress in spite of the decline in price of primary products and the consequent balance of payments difficulties. A Planning Board has been appointed to review the progress made since partition and to prepare a 5-year development plan (to run from April 1954). While the Planning Board will concentrate on the long run objectives, in the light of resources available, a consumer goods production committee has been set up, entrusted essentially with the more short run task of speeding up the completion of existing projects and bringing industries to work at full capacity.

Jute textiles: Raw jute is one of the two major exports of Pakistan and first priority has been given to the manufacture of jute textiles for export. The Six-Year Development Plan has fixed a target of 6,000 looms which are expected to be in full production by the end of 1955, 18 months before the end of the plan period. The Adamjee group of mills already have 1,500 looms producing 50,000 tons of jute manufactures per year, and by the end of 1953 this rate will be raised to 75,000 tons. By April 1954 it is expected that the total number of looms in this group of mills will be raised to 3,000. More mills are at present in process of construction under the responsibility of the Pakistan Industrial Development Corporation, and the total capital outlay on all mills is estimated at Rs. 165 million, the government subscribing Rs. 65 million.

Cotton textiles: In the spinning section, the number of spindles reached a total of 630,000 at the end of 1952, an expansion of nearly four times the capacity at the time of partition. Another large increase is planned to take place in 1953 and by the end of the year there are expected to be 1,079,000 spindles. Cotton consumption rose from 40 million pounds in 1950 to 73 million pounds in 1952. In the weaving section, the number of looms was doubled between 1948 and 1952, at the end of which year the total stood at 9,300. Production of cloth increased from 88 million yards in 1948 to 106 million yards in 1950 and then to 174 million yards in 1952. Central and provincial governments have taken a substantial part in this development and now have 11 mills under construction or on order in which a total of 275,000 spindles will be installed. The bulk of the new industry is located near the cotton growing districts in Punjab and Karachi.

Electricity: Projects are under construction that will increase hydro-electric power capacity from 7,600 kw. in 1947 to 62,000 kw. and plans for three large additional schemes have been prepared. Great increases in thermal generating capacity are also under way. One of the main purposes of these power schemes is to extend the irrigated area by providing power for thousands of tube wells.

Cement: Cement production in 1948 was only 329,000 tons. This was much below the domestic requirements and steps were taken as early as 1949 to step up production by inducing private enterprise to enter this field. Production rose steadily, increasing from 421,000 tons in 1950 to 538,000 tons in 1952. Production during the first half of 1953 suggests that the year's ouput may reach 600,000 tons.

Other industries: While the main concentration of development has been on the two industries for which Pakistan has substantial raw material supplies, other industries have been developing on a rather smaller scale.

Initial production of the Karnafuli *paper* mill was scheduled to start by the middle of 1953 and full production of 30,000 tons per annum is expected to be reached by the middle of 1954, when Pakistan will be largely self-sufficient in most grades of paper.

The production capacity of *sugar* mills has risen from 51,000 tons at the time of partition to an estimated 92,000 tons in the middle of 1953. Actual production rose from 39,000 tons in 1949 to about 65,000 tons in 1952 and figures for the first seven months of 1953 (which comprise the bulk of the sugar season) amounted to about 67,000 tons.

Production of *crude petroleum* has registered considerable increase since 1948, rising from 58,000 tons to 179,000 tons in 1952, and thus making a substantial contribution toward domestic consumption: imports of petroleum products of all kinds amounted to some 200 million gallons in the 12 months ending in June 1953. Exploration and prospecting for new oil-fields are continuing. Drilling operations at Sui, in Baluchistan, have struck a field of *natural gas* which is likely to be of considerable economic value.

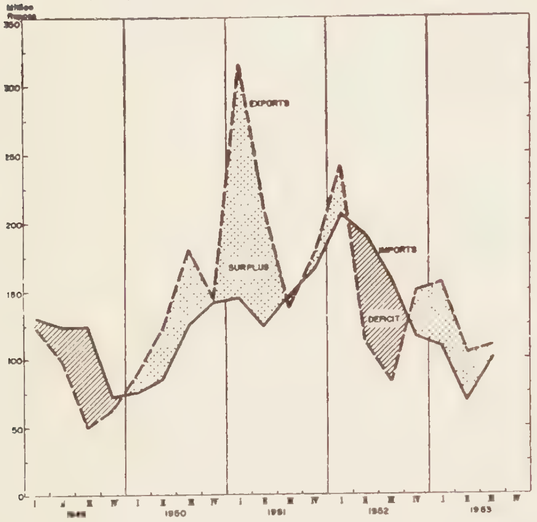
Surveys and studies are also being made of *iron and other ore resources* and of the economics of a new *steel* plant. Present production of steel ingots at an annual rate of 11,000 tons (based on the first 6 months of 1953), while more than double the 1952 rate of output, covers only a small part of domestic needs.

EXTERNAL TRADE AND PAYMENTS

The international accounts of Pakistan are largely dependent on the market for jute and cotton, and thus subject to sharp fluctuations. In 1950 the balance of payments was in deficit; then the Korean war boom brought about an era of prosperity, increased incomes and a sizeable surplus in balance of payments. But it was followed in 1952 with an equally sharp recession in prices and export earnings, and a large deficit. In 1953 the picture has changed again, largely because of stringent controls on the import of consumer goods and somewhat less drastic controls on the import of capital goods.

Chart 32

PAKISTAN: VALUE OF IMPORTS AND EXPORTS



The total foreign trade earnings, which in 1951 were Rs. 2,653 million, fell by Rs. 981 million to Rs. 1,672 million in 1952. Payments, which tend to reflect the previous year's income, increased from Rs. 2,125 million in 1951 to Rs. 2,476 million in 1952. The current account which was in surplus to the extent of Rs. 528 million in 1951, thus ran into deficit to the extent of Rs. 804 million in 1952. Gold and sterling reserves, which stood at Rs. 1,482 million on 1 January 1952, were thus reduced to Rs. 606 million in the beginning of 1953. However, as a result of a strict import policy followed since the middle of 1952 and of sharply rising quantities of cotton exported at the end of 1952 and in the beginning of 1953, the balance of payments position has become less acute. In the third quarter of 1952 the deficit was Rs. 408.5 million; in the fourth quarter it was only Rs. 68.3 million, and a surplus appeared on trade account as shown in chart 32. In the first and second quarters of 1953, there were actually surpluses of Rs. 54.6 million and Rs. 15.3 million respectively.[1]

Exports

Raw jute and cotton account for almost 90 per cent of the total export earnings and the fall in their prices account for the bulk of export decline between 1951 and 1952. The f.o.b. price of raw jute fell from a level of Rs. 238 per bale in July-September 1951 to Rs. 107 during the corresponding period of 1952. Prices in July 1953, though lower than July-September 1952 level, were slightly higher than the average price during April-June 1953.

The export prices of raw cotton have followed the same pattern. After reaching their highest level during the period April-June 1951 with an average f.o.b. price of Rs. 935.5 per bale, they have steadily fallen (except for a modest increase during the first quarter of 1952), and the average price of Rs. 386.8 during February 1953 represents the lowest level reached since 1949. Since February 1953 there has been a slight improvement and in July 1953 the average price reached Rs. 415 per bale. While price changes have dominated year-by-year changes in export values, the wide range of quarterly fluctuations has largely resulted from variations in quantities shipped, as shown in chart 31.

Imports and import policies

Substantial expansion in export earnings in 1951 and the consequent increase in incomes encouraged businessmen to place large orders for goods from abroad and imports, which had reached a peak early in 1952, were maintained at high levels, during the following two quarters. The sharp decline in export values in the second quarter of 1952 made it necessary for Pakistan to cut down imports. The Government first imposed deposit margins on the opening of letters of credit for imports and increased import duties on cotton piece good—the largest single import item, which during the period July 1951-June 1952 accounted for nearly 29 per cent of total imports on private account—from 30 per cent *ad valorem* to 60 per cent *ad valorem*. Later the Open General Licence system was restricted to a few types of essential consumer goods, but even this proved insufficient and finally, on 23 November 1952, the government cancelled the Open General Licence altogether. This brought about an improvement of the situation which continued in the first half of 1953.

As indicated above, this improvement was the result of severe restrictions on the import of non-essential, and even of some essential, consumers' goods. Most of the available foreign exchange was earmarked for the import of machinery and materials required for industrialization and development. At the same time the American and Canadian wheat loans covered the persistent dollar deficit. The only indication of the resultant change in the composition of imports has to come from the breakdown of imports on private account: for government imports, which accounted for about a quarter of all imports in 1951 and 1952 and as much as a third in the first half of 1953, no breakdown is available.

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[1] The quarterly figures are taken from the balance of payments given in State Bank of Pakistan *Bulletin*, October 1953. They do not exactly tally with the annual and semi-annual figures of the IMF.

TABLE 48

AKISTAN: IMPORTS (SEA-BORNE) OF SELECTED COMMODITIES ON PRIVATE ACCOUNT

Million rupees

	1952	1953[a]
otal imports	1,534	538
lineral oils	101	76
extile machinery	36	37
ther machinery	134	78
on and steel manufactures	156	56
ehicles	81	30
otton piece goods	278	37
ther textiles (including cotton twist and yarn)	314	51

ource: Central Statistical Office, *Statistical Bulletin*, Jan-Feb 1953 and June-July 1953.
First 6 months at annual rate.

While all categories of goods except textile achinery share in the drastic decline in the total alue of private imports, the fall is least for raw aterials and machinery, and it is greatest for cotton iece goods and other textiles. The annual rate of mports in this group in the first half of 1953 was only bout 15 per cent of the 1952 rate.

For the four groups of capital goods included in able 48, imports declined by a half between 1952 and 953. The decline would be less if account were taken f imports on government account. The trend of total mports of durable equipment into Pakistan can be auged by the change in those imports from the United ingdom and the United States, Pakistan's main uppliers. Their value was about Rs. 290 million in 952, but in the first half of 1953 the annual rate had allen to Rs. 200 million.

The drastic fall in import of consumer goods learly reflects the attempt to conserve foreign exchange or the purpose of industrialization. In addition, credit, oan, and barter arrangements have been made to upplement the flow of capital goods. Japan has agreed o export equipment valued at Rs. 55 million on a eferred payments basis. The United Kingdom has also agreed to lend Pakistan Rs. 92 million to purchase capital goods during the next 2 or 3 years. Repayable over ten years, this loan is to be devoted mainly to the purchase of British capital goods for food production projects. The Pakistan Government has expressed its willingness to enter into similar deferred payments agreements with other countries.

The attempt to control narrowly the level and composition of trade has also led Pakistan to negotiate bilaeral trade agreements with a number of overseas countries. Thus under the recent Franco-Pakistan Trade Agreement, France will import Rs. 200 million worth of Pakistan's cotton and jute, while Pakistan will import a variety of French goods, and at the end of the agreement, balances, if any, will be settled in sterling. A similar pact has been concluded with Italy, and more agreements are under negotiation.

PUBLIC FINANCE

As may have been expected, public finance in Pakistan has also been strongly affected by the movement in the trade cycle. Revenue reached a peak in 1951/52 when Rs. 1,485 million were collected, more than half from customs duties.

The abolition of export taxes and the curtailment of imports affected strongly this form of revenue: customs revenues fell, between 1951/52 and the 1953/54 estimates, by more than Rs. 500 million or more than the total decline in revenue.

Expenditure, on the other hand, reached a peak in 1952/53, at a time when revenue was already falling, and thus caused the large deficit of Rs. 583 million in that year.

For 1953/54, the government is curtailing expenditure. The defence budget, which in 1952/53 accounted for more than half of total government outlays,[1] has been substantially reduced, subsidies have been abolished, and minor economies effected in other current expenditure items. However, capital outlays (excluding defence) are to be increased, in particular expenditure for industrial development is scheduled to rise from Rs. 68 million to Rs. 124 million.

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[1] Counting together current and capital expenditure.

TABLE 49

PAKISTAN: REVENUE AND EXPENDITURE OF THE CENTRAL AND STATE GOVERNMENTS

Million rupees

	1951/52	1952/53	1953/54
Central government			
Revenue (excluding state trading)	1,485.0	1,271.5	1,009.8
Expenditure (excluding state trading)	1,645.2	1,854.9	1,731.0
of which capital outlay[a]	417.3	405.4	547.0
Balance (excluding state trading)	−160.2	−583.4	−721.2
State trading (net)	+ 67.1	−176.5	+240.4
Balance (including state trading)	− 93.1	−759.9	−535.3
States			
Revenue	614.8	616.0	588.7
Expenditure	701.4	598.6	540.3
of which capital outlay[a]	186.8	148.5	− 12.2
Deficit (−) or surplus (+)	− 86.6	+ 17.4	+ 48.4

Source: United Nations Fiscal Division; 1953/54 Government of Pakistan data reclassified by ECAFE Secretariat.

a. Investments and loans and advances.

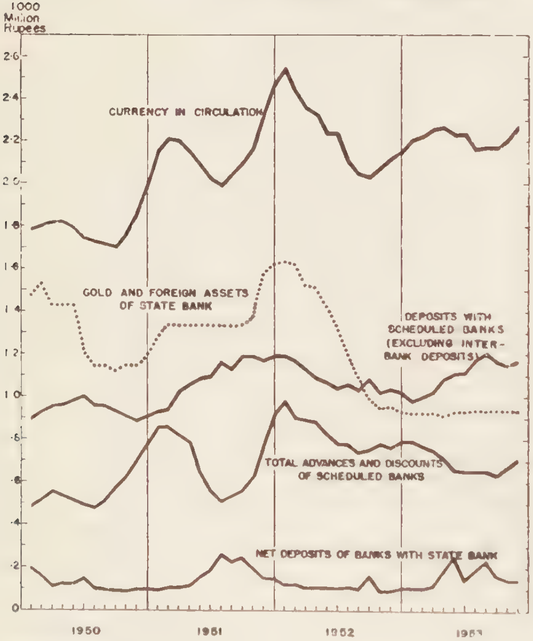
Because of this, the fall in total expenditure is smaller than the fall in expected revenue. Thus a record deficit of Rs. 721 million is expected in 1953/54 in the accounts of the Central Government, to be partly offset, however, by the large surplus expected from state trading. In addition, the States are also proposing to increase their capital outlay well beyond the extent of the advances the Central Government is proposing to extend to them.[1] Thus it is likely that the public sector will be a strongly expansionary factor in the economy.

However, a countervailing element is introduced by the wheat gifts and loans from the United States, Canada and Australia. While a part of the wheat received would be distributed free, the sale of a million tons of wheat at Rs. 322 per ton (the price fixed by the government) would bring in Rs. 322 million, enough to cover a substantial proportion of the proposed capital expenditure on development, and to reduce substantially the budgetary deficit.

The deficit in government budgets was not accompanied by an increase in money supply in 1952; between December 1951 and December 1952, currency in circulation decreased by over Rs. 315 million, and non-bank demand deposits by nearly Rs. 170 million. While this movement may be surprising at first sight, it is readily explained by the fall in foreign reserves of the Central Bank of Rs. 876 million in 1952[2] and by the decline in foreign trade activity, which is reflected in a decline in bank loans and advances of Rs. 125 million in the same year.

Chart 33

PAKISTAN: SELECTED FINANCIAL INDICATORS



The appearance of a small balance of payments surplus in the beginning of 1953 and of government deficits has reversed this situation, and despite the normal seasonal decline coinciding with the end of the busy season, currency in circulation has expanded a little, and demand deposits by nearly Rs. 150 million, between December 1952 and September 1953.[3] Bank advances, on the other hand, had declined by another Rs. 150 million during the same period, while balances with the State Bank recorded an increase of Rs. 60 million.

This high liquidity of the banking system has been reflected in a fall in short term money rates, and call money was at a nominal ¼ per cent by the end of September 1953.

The somewhat abnormal conjunction of high government deficit and expanding money supply with a balance of payment surplus is the result of severe control exercised by the government over both foreign and domestic trade.

Since internal security and development plans required that priority be accorded to the imports of defence stores, capital goods and food, the import cut fell mainly on consumers' goods, as noted earlier. The decreased supply of consumers' goods led to an increase in their prices, hoarding and profiteering, and this situation in turn compelled the government to extend its control over domestic distribution and prices.

Price increases had been most pronounced in the case of cotton piece goods, for which import duties destined to protect domestic industries contributed to a price increase of 30 per cent for a typical quality (16,000 Latha Japan) between April and December 1952. The drastic reduction in imports in subsequent months caused a further increase in price of 30 per cent by April 1953. The price rise has not been confined to imported varieties alone; even cloth made locally has registered increases of up to 50 per cent.

Although basic foodstuffs have been rationed and the retail price of the ration controlled, the cost of living index for industrial workers rose in April 1953 nearly 10 per cent above the average level of the previous twelve months. An extension of price control thereafter brought the Karachi cost of living index down by 4 points between April and June 1953.

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[1] States investment is budgeted to rise from Rs. 359 to Rs.475 million, while current expenditure is also rising. The States expect to cover this additional expenditure through borrowing to the extent of Rs. 487 million as against Rs. 210 million in 1952/53. Since, however, the Central Government is budgeting advances to the State of only about Rs. 160 million, and the difference between these figures is unlikely to be met through withdrawal from reserve and other funds, the States might well experience a deficit instead of the expected surplus.

[2] Represents the total change in foreign exchange reserves. (Source: Finance Minister's 1953/54 Budget Speech). The figures given in State Bank of Pakistan *Bulletin* refer to the changes in gold and foreign assets of issue department only and as such under-estimate the fall in foreign exchange reserves.

[3] During the corresponding period of 1952, demand deposits had decreased by Rs. 105 million, and currency in circulation by nearly Rs. 430 million.

The Directorate of the Controller General of Prices was established with extensive powers to control prices, supply and distribution and at present more than two dozen commodities are listed under the Essential Commodities (control and distribution) Order of 1953, under which conditions may be fixed for the production, import and sale of a variety of goods, including paper (except newsprint), bicycles, drugs and chemicals, mechanically propelled works and vehicles, glass and glassware, electrical and radio goods and appliances, artificial silk yarn and thread. Cotton yarn had already been made the subject of control orders. Producers as well as importers may be required to provide the Controller at regular intervals with a full description of goods, available or on order, their cost and intended disposition. The Controller has the power to designate dealers to whom goods may be sold and to fix maximum prices. The provincial authorities also exercise price control. The Pakistan Government has thus chosen to rely on direct control and price fixing to maintain stability rather than on fiscal and monetary measures directed towards a general contraction of demand.

DEVELOPMENT POLICITIES AND PROSPECTS

Recently there have appeared signs of improvement in the balance of payments situation, aid from abroad in the shape of wheat to meet the food deficit being a highly significant factor. As for the internal situation, the two factors making for a deficiency of supply in relation to purchasing power are the expenditure programme of the government and the shortage of food resulting from the poor harvest of 1953. This deficiency of supply will be met, in part at least, by the sale of wheat obtained through foreign assistance, and the local currency proceeds might be regarded as an offset to government expenditure, thus reducing any budget deficit that might be incurred. In 1954 some inflationary pressures are likely to remain, and at the current low level of reserves they cannot work themselves out through imports, but must be held in check by administrative measures. This decision to repress inflation through far-reaching controls represents a significant change of policy, for in 1952 the pressures which might have led to rising prices were largely absorbed by allowing the foreign reserves to fall.

The ultimate success of such a policy in furthering rapid development depend on the willingness of the public to save rather than to spend on uncontrolled goods and on a careful determination of investment priorities. The level of effective demand will provide an incentive to expand many lines of production, and capital will be readily available since monetary expansion will lead to high bank liquidity. So far, dangers of too rapid development in the private sector have not materialised; indeed, the Government has taken measures, partly selective in nature, to promote useful private investments by offering substantial tax rebates to new undertakings.

Even more directly, the Government has sponsored a number of projects through the Pakistan Industrial Development Corporation and tried to attract the participation of private capital in these ventures. This corporation has been set up to initiate industrial projects and then invite private enterprises to participate in them. The projects which have been undertaken by the Pakistan Industrial Development Corporation involve a total capital outlay of approximately Rs. 500 million which consists of about Rs. 120 million of private capital and Rs. 60 million of foreign economic aid. The balance of Rs. 320 million has been provided by the Government. The paid-up capital of joint stock companies, however, increased by Rs. 55 million in 1951 and by only Rs. 17 million in 1952.

The Government has realized the need for active encouragement of domestic savings and investment in the private sector. Every effort is being made to promote thrift and to provide even the remotest part of the country with institutional facilities for small savings. In addition to the facilities for investment in National Savings Certificate, Defence Savings Certificate and Post Office Savings Deposits, the Government has also provided a postal insurance scheme for the benefit of government employees of the lower income group. It is hoped that as a result of these measures, a large volume of savings would be mobilized.

Current policies also require that a tight control be maintained over foreign transactions and the Government is, therefore, following a very cautious import policy. However, steps have also been taken to prevent hoarding and profiteering which may emerge in situations where there is an increasing pressure on the limited supplies of consumer goods. The Government has already opened 100 fair price shops in Karachi. It has also issued preferential import licenses to consumer cooperatives selling imported and control-price articles.

Another important policy of the Government is to shift agriculture away from cash crops for export into food production for the domestic market. This policy, if carried too far, may create difficulties on the export side. Yet, in view of the immediate need for rebuilding food stocks, the diversion would appear to be justified, at least in the short run. This shift may even have longer run advantages should restriction of the area under jute raise the price of that commodity. But such advtanges are problematical, for the supply of Indian jute is capable of expansion, and other materials can be substituted for jute in many its uses. With respect to cotton, Pakistan is too small a supplier on the international markets for its production policies to have a material effect on prices.

While the government scored a first success in restoring equilibrium in its foreign accounts in the first half of 1953 it is too soon to assess the final success of the policies instituted in 1953. In the shorter run the criteria of success are the maintenance of stable internal price level and the effective functioning of rationing and controls. In the long run success depends on maintaining and even increasing the pace of basic development; which in turn depends on increased willingness on the part of private enterprise to enter lines of production which will relieve strains on the foreign balance, by either replacing imports or raising the value of exports.

Chapter 17.

THE PHILIPPINES

INTRODUCTION

Production in the Philippines has now recovered from the extensive wartime damage and destruction: agricultural output exceeded the pre-war level in 1950/51 and has continued rising, while industrial production also shows satisfactory progress.

In earlier post-war years, domestically produced incomes were supplemented by grants and transfers from the United States government which equalled more than 10 per cent of Philippine gross national product between 1948 and 1950, but fell rapidly thereafter. Since the government expenditure accounts for an unusually low share of national expenditure, these grants have enabled private consumption to be maintained at a high rate: in 1949 is equalled 93 per cent of gross national product although it has more recently fallen to 85 per cent.

The problem faced by the Philippines thus appears to be structural in character rather than cyclical: although exports have shown fairly large variations in the last few years, this factor appears less significant than the persistent need to adjust private consumption to a level that would allow a higher volume of investment without generating a balance of payments deficit which may become difficult to finance.

A decline in the level of American aid and expenditure would affect not only the permissible level of imports, but would also impose some reorientation of the direction of imports which are at present predominantly purchased in the United States.

PRODUCTION

The physical volume of output of agriculture, manufacturing and mining, which together account for more than 60 per cent of the national product, is estimated by the Central Bank to have risen in 1952 by approximately 6 per cent over the 1951 level, and it appears that this rising trend is continuing into 1953.

Agricultural production

In agriculture, which accounts for more than two-fifths of the gross national product, production continued its post-war upward trend during 1952/53, thanks to increases in yield per acre, which reflected the favourable weather, improved internal security, the increased application of fertilizers (although the total quantity used is still very low), and improved irrigation facilities.

The output of all food crops except corn showed improvement in 1952/53. During that year, production of paddy showed an increase of 11 per cent over the previous year and reached its highest post-war level, owing to the factors mentioned above and to higher prices prevailing to the producers at the time of sowing. As a result of the substantial increase in domestic output the Philippines are now almost self-sufficient in food: imports of rice ceased during the first half of 1953 and the authorities even tried to export part of their accumulated rice stock.

Production of corn declined owing to the unusually destructive typhoons in the principal producing area and locust damage in certain provinces.

The development of inland fisheries accounted for the increase in fish production, for which the government, with aid from the Mutual Security Agency (MSA), will construct more fishponds. The increase in meat, poultry and dairy products was due both to the rise in livestock numbers and to the imports of breeding animals and their distribution to farmers all over the country.

Major export products: Copra, sugar and hemp and their products account normally for three quarters of the value of Philippine exports. During 1952/53, there was a substantial expansion in the production of hemp and, despite rising costs, of sugar. For the first time in post-war years the Philippines expected to be able to fulfill their annual sugar export quota of 850,000 long tons to the United States and to have additional supplies available for export to other countries. The production of copra, however, showed a large decrease due to typhoon damage.

Industrial production

Manufacturing industry contributed about 13 per cent to the national income in 1952. During the second half of 1952 and the first half of 1953 the index of manufacturing production showed an increase of 4 and 9 per cent respectively over the first half of 1952.

Most modern factories, especially in the Manila area, faced with coal shortage, use electric power. The increasing demand for power due to greater industrial activity and wider use of electrical appliances, has kept pressing on the available supply despite the additions to generating capacity, which increased threefold between 1941 and 1952.

Electric power production in Manila increased by 12 per cent in 1952/53 as compared with 1951/52, permitting a rise in industrial production.

A sample survey of industrial establishments prepared by the Bureau of the Census and Statistics and covering nearly 2,000 firms allows comparison of progress made in various sectors between 1948 and 1952. Among the important industries, the greatest progress has been shown by the cigarette industry, where the value of sales rose from P.9 million to P.138 million; centrifugal sugar industry, with an increase from P.82 million to P.239 million (reflecting the great increase in sugar cane output); and soft drinks industry, where sales rose from P.28 million to P.67 million. Sales of wearing apparel and knitted fabrics also showed an impressive rise from P.15 million to P.70 million, while cotton piece goods at P.6 million showed hardly any progress and cotton yarn output steeply declined to less than P.2 million in 1952.

Among other industries, lumber production remained almost stationary, while the processing of coconuts and the manufacture of edible oils show a decline in the value of sales despite some increase in the quantities treated. Altogether, the value of sales of reporting firms almost doubled between 1948 and 1952.[1]

This sample survey throws a good deal of light on the character of Philippine industrialization, which seems to have been concentrated on the production of light consumer goods, requiring as a rule only a small amount of investment, protected by the exchange and import control policies adopted at the end of 1949, and made attractive by high prices and demand on the domestic market.

Construction

Construction has taken a major share in gross domestic investment since the war, owing mainly to the large government and private expenditure in making good the wartime destruction of public buildings, roads and bridges, water works systems, and residential houses. After reaching a high level in 1947 and 1948, building investment declined in 1949 and 1950 as rehabilitation was completed, and since then appears to have remained approximately stable, some decline in non-residential building being offset by an increase in residential construction.[2]

The value of building permits issued for Manila showed increases for both residential and non-residential construction during the first half of 1953, as compared with the first half of 1952. The expansion in the value of residential building was however small, owing to the tightening up of credit for this purpose, and since building costs were rising, the rise in value is compatible with a continued decline in the physical volume of residential construction.

Mining

Despite high production costs, mining output continued to show a general increase during 1952/53, as the market for Philippine minerals continued favourable. Production of iron ore regained the 1939 level in response to a large demand from Japan. Production of chromite, which was started in 1936, has continued its rapid expansion and stands at almost three times the pre-war peak. Production of copper was stimulated by the high prices of 1951-52, and almost regained its 1937 output peak, but appears to be declining again. On the other hand, gold output, although it shows a rising trend, remains at less than half the level of the immediate pre-war years. Efforts have recently been made to stimulate production by allowing producers to sell the whole of their output on the free market. The value of this incentive has declined, however, with the free-market price of gold.

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[1] Reporting firms, it can be estimated, accounted for some 75 to 80 per cent of industrial production. Prices of most manufactures were little higher in 1952 than in 1948, while prices of coconut products had fallen substantially.

[2] The discussion is based on Abraham: William I., *Report and Recommendations of the National Income Adviser: Provisional Text* (Manila, May 1952), p. 21.

The national income data as revised by the Central Bank show a different development. According to that series, non-residential construction rose steeply from 1950 to 1951, and declined again in 1952. This is the result of an upward revision of Abraham's data by P.143 million for non-residential construction in 1951 (all of it accounted for by the government). However, neither the doubling of government investment between 1950 and 1951 (and its fall in 1952), nor the 75 per cent increase in non-residential construction in 1951 (and its decline in 1952) are borne out by the other available data. Cement supply and lumber output were declining slightly and regularly from 1950 to 1952, while a small sample of employment in the building trades showed a big fall in 1951 and a recovery in 1952. Wages rose slightly throughout, and building material prices rose in 1951 but fell in 1952. These data are compared with the Abraham series, which indicatd a slight and regular fall in the volume of residential construction, and a dip in non-residential building in 1951.

Confirmatory evidence can be obtained from the government budgets, which are shown however on a July to June fiscal year basis:

GOVERNMENT INVESTMENT
(in million pesos)

	Abraham	*Central Bank*	*Budget actuals*
1949/50			96
1950	128		
1950/51			92
1951	105	247	
1951/52			125
1952		181	
1951/53 (estimated)			203

The Abraham figures were based on the data of the General Auditing Office, while the Central Bank used the far higher figures of the Burean of Public Works. The reconciliation of these two sets of figures is still under way.

TABLE 50

PHILIPPINES: INVESTMENT AND UNITED STATES GOVERNMENT GRANTS

Million pesos

	1948	1949	1950	1951	1952
ross fixed investment	617	542	424	434	506
of which Government	110	141	128	105	181
epreciation	315	325	335	370	390
et investment	302	217	89	64	116
nited States Government grants	266	406	309	25	50

urces: Abraham, *op. cit.* and Central Bank of the Philippines.

INVESTMENT

Investment appears to have reached its highest level 1948 and 1949, when both construction and the nports of capital goods were at a peak.[1]

These figures indicate that the large grants obtained nder the Philippine Rehabilitation Act[2] in the post- ar years did not of themselves lead to high levels of et investment. In the same way, the substantial rise foreign earnings amounting to some P.300 million etween 1949 and 1951, and the increase in gross ational product of over P.1,000 million between 1950 nd 1952, have not led to any substantial increase in the vel of investment.

The government, however, is now taking active steps o increase the level of total investment, and to channel rivate funds into more useful lines of development. ncreasing capital outlays are taking place in a number f public enterprises under construction or undergoing xpansion, such as a textile mill, a pulp and paper mill, steel plant, a plant for the manufacture of electrical quipment, and a fertilizer plant linked to a hydro- lectric project. On the other hand, a more selective olicy towards private investment was introduced in pril 1951. New industries considered to be of an ssential or desirable character are exempted from the 7 per cent exchange tax on their import requirements, nd from the 12 per cent corporation profit tax, the atter concession to run for 4 years.

Meanwhile, the Central Bank adopted a policy of ncouraging industrial and agricultural loans and dis- ouraging credits for financing non-essential imports, residential construction, and speculative activities. Following the Central Bank's policy, the two large financial institutions, the Rehabilitation Finance Corporation (RFC) and the Philippine National Bank have devoted an increasing share of their resources to financing agriculture and industry. New arrangements have recently been made to provide facilities for the financing of industrial development and particularly to meet the credit needs of small private enterprises. First, a special trust fund of P.10 million from the counterpart fund has been set up in the Central Bank to guarantee a large share of the risk to be assumed by banking institutions granting loans to socially desirable industrial and other development projects undertaken by private enterprises which could not meet the requirements of the RFC and other financial institutions. Second, a plan has also been adopted whereby loans may be granted to Philippine financial institutions by the Central Bank on behalf of the Export-Import Bank, which has set aside a fund of $5 million for financing dollar requirements of private small productive enterprises in the Philippines.

EXTERNAL TRADE AND PAYMENTS

The commodity cycle has had very little effect on the income level in the Philippines, as the fluctuations in exports were more than offset by changes in United States Government expenditure and grants, and as a result, total income obtained from exports and transfers declined steadily from 1948 to 1952 but rose a little in 1953. Thus the variations in the balance of payments have occurred on the payments side as a result of more or less successful efforts to adjust the level of expenditure to the declining trend in earnings.

The year 1949 saw the first and most severe balance of payments crisis, since a drop in export earnings and a larger fall in American transfers coincided with an almost record level of expenditures. Exchange and import controls were introduced ~~at the end~~ during of the year to meet the threatening fall in exchange reserves, and the resultant drastic fall in imports in 1950 brought about a considerable surplus for that year.

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[1] The national income data would however indicate a peak in total investment (including inventory changes) in 1951 and 1952. However, apart from the questions raised in footnote (2) to page 112 the national income data for 1952 show inventory accumulation of P.375 million, the largest figure for any post-war year, while a sample of 168 business establishments indicates an inventory decline of 8 per cent (Central Bank, *Annual Report, 1952*, p. 114). The results of the sample are borne out by the rise of imports, partly speculative in character, which followed the decontrol order of August 1951, while the lower level of imports in 1952 would point to stock liquidation: the monthly average of import values was P.70 million in 1952 as against P.89 million in the last five months of 1951. While the national income data include changes in agricultural inventories, there is no evidence that they were at all substantial in 1952.

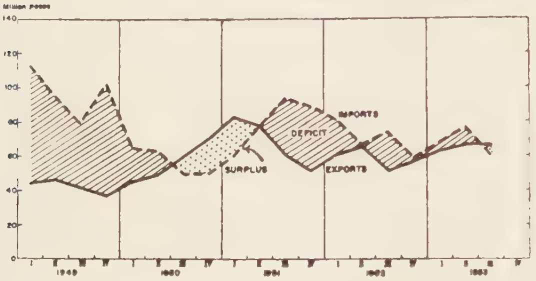
[2] The figures in table 50 do not include other United States government transfers such as back pay of Philippine troops, veterans' grants and bonuses, surplus property transactions, etc.

A 17 per cent levy on all purchases of foreign exchange was introduced in April 1951, but since import policy was liberalized again, imports rose anew, and as increased export earnings were more than offset by a heavy fall in American grants, upon the expiration of the Philippine Rehabilitation Act, the balance of payments showed another deficit.

Foreign exchange is now allocated to imports on the basis of current and prospective export earnings. As a result of the 1951 experience and the fall in export prices, these allocations for 1952 were reduced below the 1951 level. While imports declined no more than exports, a balance was attained thanks to a rise in American expenditure and grants, and some private capital imports.

Chart 34

PHILIPPINES: VALUE OF IMPORTS AND EXPORTS



With exports at a slightly higher rate, the same balanced situation continued in the first six months of 1953.

Exports

While the fall in the total value of exports during 1951/52 was due to the considerable decline in export prices which more than offset the increase in quantum of exports, the low level of export value during 1952/53 was due to low quantum of exports which offset partly the moderate recovery in export prices.

Sugar prices for export to the United States remained almost unaffected by the recent commodity cycle, showing only a moderately rising trend and thus export earnings from sugar were mainly determined by the quantity exported. Since production of sugar increased considerably after 1950, export earnings from sugar in 1951 and 1952 were substantially higher than in the preceding years. In the first half of 1953, although sugar production reached a record level, the export volume was 18 per cent lower than in the corresponding period of the previous year, mainly because of the decision of the Sugar Quota Administration to withhold 280,000 short tons for the domestic market.

The International Sugar Agreement, recently signed in London, attempts to stabilize the world sugar market price: producers' export quotas are to be increased or decreased if the world free market price rises above or falls below the limits fixed by the agreement. However, the scheme is of limited direct interest to the Philippines, since their export quota is only 25,000 tons.

Of far greater importance is the agreement with the United States which provides for a duty free export quota of 850,000 long tons of sugar from the Philippines, against which nearly 800,000 tons from the 1952/53 crop had been exported up to the end of August. Under the Bell Act, gradually increasing import duties are to be imposed on Philippine sugar, starting in the second half of 1954. Because of their much higher cost of production, Philippine growers are afraid that after a few years they will be incapable of competing on the United States market with sugar from Cuba, Puerto Rico and Hawaii. The prospect of turning to the free market to dispose of their crop is not attractive either, since free market prices were less than 60 per cent of the New York prices in September 1953.

The prices of *copra and coconut oil* fell steeply in the second half of 1951, but recovered rapidly after mid-1952. During the second half of 1952, the volume of export of copra and coconut oil increased as well as the price. In the first half of 1953, the decline in output caused a fall in the volume of exports that more than offset the price increase. The long-term market prospects of Philippine copra and products may not, however, be promising, because of the increasing use of synthetic detergents in the United States, the growing competition from soft currency exporting countries especially Ceylon and Indonesia, and the dollar payment difficulties of some European consuming countries.

TABLE 51

PHILIPPINES: FOREIGN EXCHANGE EARNINGS

Million pesos

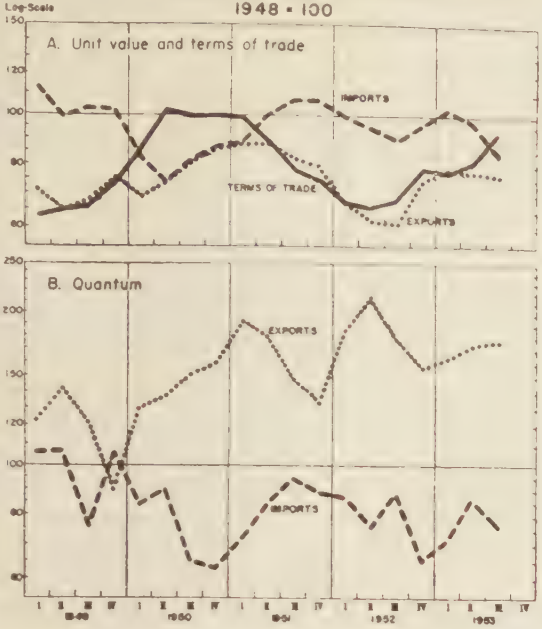
	1949	1950	1951	1952	1953[a]
Exports (f.o.b.)	522	674	819	705	772
Non-monetary gold	20	23	27	33	34[b]
United States Government[c]	734	520	218	298	271
Total	1,286	1,239	1,081	1,040	1,077

Source: IMF and Central Bank of the Philippines.

a. First nine months at annual rate.
b. First six months at annual rate.
c. Including grants, transfers and military expenditure.

Chart 35

PHILIPPINES: INDEX NUMBERS OF EXTERNAL TRADE 1948 = 100



nports

The pattern of Philippine imports reveals a particu- rly heavy dependence on the United States, as much s 76 per cent of imports coming from North America ı 1952. On trade account alone, the deficit with that rea was larger than the total deficit of the country. lowever, taking into account services and transfers the ituation is different and the deficit with the sterling area as substantially larger than the surpluses with con- nental western Europe and Japan. Thus the dollars iade available by the United States Government had o be used not only to meet the deficit with North America but also for the purchase of sterling.

Most imports are controlled through a system of llocation of foreign exchange, operated by the Monetary Board of the Central Bank. While the total allocation is decided in the light of current and prospective export earnings, separate quotas are given for essential and less essential commodities which are further sub-divided into producer goods and consumer goods. Besides controlled imports, there are some goods, including essential foodstuffs, fuel and lubricants, fertilizers, raw cotton, and machinery and parts, for which the Central Bank supplies exchange without restriction. Certain luxury goods cannot be imported. It was only in the middle of 1953 that the control of imports was assumed by the Central Bank. Previously this power had been exercised by the Import Control Commission, and the disappearance of that body was marked by a great rise in the value of imports in June and July 1953, traders fearing that import control might be tightened under bank supervision. Procedures have been simplified, and import licences have been abolished, leaving exchange permits as the sole means of control.

PUBLIC FINANCE AND MONEY INCOMES

Government expenditure in the Philippines is a relatively small proportion of national expenditure, remaining fairly stable at well below 10 per cent of the total. The budget has nevertheless played a significant role in the fluctuations of the economy because of its sharp swings from deficit to surplus.

After a long series of post-war deficits, the budgetary position for the first time showed a surplus in 1951/52, due to a 40 per cent rise in revenue. This rise appears surprising at first sight since in that fiscal year export earnings were falling and so were agricultural incomes, owing to lower commodity prices. It was due to a variety of factors, the most important of which was the imposition of a 17 per cent tax on most Central Bank sales of foreign exchange just before the beginning of the fiscal year. Proceeds from other taxes also increased owing to a rise in tax rates and more efficient

TABLE 52

PHILIPPINES: GOVERNMENT EXPENDITURE

Million pesos

	1949	1950	1951[a]	1952
A. Current expenditure	448	473	493	510
B. Gross investment	141	128	105	181
C. Total expenditure (A + B)	589	601	598	691
D. Gross national product	6,317	6,934	8,373	8,065
E. Net borrowing and donations from abroad ..	688	—13	195	66
F. : Total available means (D + E)	7,005	6,921	8,568	8,131
G. Government expenditure as percentage of total available means ($\frac{C}{F}$ x 100)	8.4	8.6	7.0	8.5

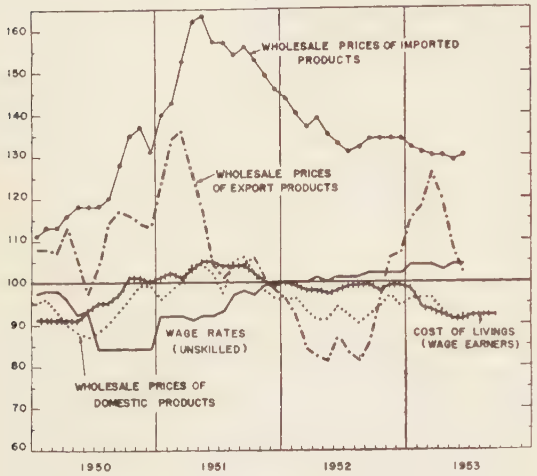
ource: Central Bank of Philippines and Abraham, *op. cit.*

. For reasons given in footnote (2) on page 112, Abraham's figures have been used for 1951, which in the case of total available means may be over-estimates. The revised Central Bank figure for total available means in 1951 is P.7,955 million.

collection, while the favourable balance of payments in 1950 resulted in a relaxation of import controls, which permitted an increase in consumption and also in tax collection. This budgetary surplus, coinciding with a fall in export earnings and in United States Government transfers, helped to absorb the inflationary potential which the high earnings of the previous period had generated in the export sector.

Chart 36

PHILIPPINES: INDEX NUMBERS OF PRICES AND WAGES
1949 = 100



These changes were reflected after a time lag in the level of domestic prices which started to fall in November 1951 and continued downward in the first half of 1952, in part reflecting lower import prices, in part an increase in domestic food production and a better monetary balance of the economy.

Since employment did not appreciably decrease, except in the service industries, and real wages tended to rise, while profits were falling both in the export trade and on domestic sales, some redistribution of income appears to have taken place, which helps to explain the maintenance of the level of effective demand.

The year 1952/53 winessed a considerable expansion in government expenditure for economic development and social services, while revenues were declining owing to the new restrictions in imports. Thanks however the economies in other items of expenditure, only a very small deficit appeared.

The value of exports started to rise again in the second half of 1952 (although the total value of exports in 1952 was below the level of the previous year). Imports also rose, but the substantial expansion of credit by over P.100 million from June 1952 to June 1953, a major part of which appears to have been for the financing of imports, would indicate that the rise in imports did little to absorb excess purchasing power. Real wages continued their upward trend partly because the Minimum Wage Law came into force. Employment was meanwhile expanding, and the pressure of consumption on domestic supplies resulted in a moderate increase in prices towards the end of 1952. The price movement was however reversed in the second quarter of 1953 as increasing quantities of foodstuffs reached the market.

The budget is expected to show a small surplus in 1953/54 and so monetary stability may be expected to continue.

THE PROBLEMS OF ADJUSTMENT

The above analysis has shown that the changes in the value of Philippine exports resulting from the Korean war boom had been offset by the decline in United States Government expenditure and transfers at the time of the upswing and cushioned by an increase in this expenditure at the time of the downswing. Since there has been little inflation in recent years, the need to keep a tight rein on imports does not appear to arise from an excess of purchasing power in the economy but rather from the slow but regular decline in total foreign exchange earnings. In other words, production for the domestic market has been accounting for an increasing share of total income available and this requires a transfer of some expenditure from imported to home produced goods if balance of payments equilibrium is to be maintained and a recession is to be avoided in domestic production. This change in the pattern of consumption, which has been aided by the imposition of the import control, may be hampered to some extent by a preference on the part of Philippine consumers for American goods. It is more likely, however, that the main difficulty arises from the fact that domestic prices at the current rate of exchange (including the 17 per cent exchange tax) are significantly higher than import prices. Under the provisions of agreements with the United States the Philippine Government cannot either raise import duties or change the value of the currency without the concurrence of the United States Government. Failing such action, it appears likely that no true international equilibrium is possible unless domestic costs of production and distribution can be brought down to a level comparable with those of imported goods.

Of course, international equilibrium is not the only goal of economic policy and may well be subordinated to the achievement of a rapid growth of production. Thus a country may well choose a situation of disequilibrium if it is the price that has to be paid for a high rate of investment. However, the large-scale United States aid to the Philippines has served essentially to raise the level of domestic consumption and it is only recently, at a much lower level of American assistance, that the government has been taking active steps to increase investment in the basic industries and services on which a more rapid rate of development would depend.

While a shift in the pattern of consumption and a ift from consumption to investment appear as two of e major problems of the Philippine economy, a serious enace to the level of export earnings may be contained the provisions of the Bell Act. It was mentioned arlier that starting in 1954 duties would be imposed on hilippine sugar entering the United States and over a eriod of 20 years these duties would rise to the normal vel of United States duties. While the provisions of is act give the Philippine industry considerable time make the required adjustments and to increase pro- uctivity, it is still possible that considerable difficulties ight be experienced long before the full amount of the uty is imposed on imports from the Philippines.

In the light of these various factors, it is not sur- rising that the Philippine Government has been actively onsidering the possibility of a revision of the executive greement and trade pact with the United States. A pecial committee appointed by the National Economic Council for that purpose is proposing the following principal changes: First, instead of the gradual increase in tariff duties on the exports of the United States and of the Philippines to one another, which is at present contemplated, the committee suggests that a list of goods be agreed upon in which trade would remain free and unimpeded by import duties. The Philippines intend to ask that sugar be put on this free trade list. Second, the clauses in the existing act which limit the power of the Philippine Government to administer the national currency and to tax foreign trade should be eliminated. The committee also suggests a revision of the exceptional rights at present granted to American citizens.

While such a revision may place the government in a somewhat better position to deal with some of the readjustment problems it faces, it can do no more than establish conditions that would facilitate the carrying out of constructive and far-reaching development policies.

Chapter 18.

THAILAND

INTRODUCTION

Agricultural production in Thailand, which accounts for about 60 per cent of the national income, recovered rapidly after the war, cereal production exceeded the pre-war level already in 1946/47, and agricultural production as a whole reached 147 per cent of the 1934-38 level in 1951/52.

Industry is limited to the processing of primary products for export, and some production for local consumption. There are indications of substantial increases in investment, both by the government and by private interests.

The world shortage of rice and consequent high prices were the main reason for the continuous expansion of exports, which reached a peak in 1951, when rubber and tin prices were also unusually high. Since the price of rice continued upward in 1952, Thailand was not seriously affected by the decline in rubber and tin prices. It was only in 1953, with the start of a decline in the rice markets, that problems of readjustment became serious.

After encouraging imports during the boom period (for instance through an appreciation of the currency), the government allowed the foreign exchange market to find its own equilibrium, but with the deterioration of the situation toward the end of 1953, it has now resorted to quantitative import restrictions.

PRODUCTION AND DEVELOPMENT

Agriculture

Rice, the most important crop, is cultivated on over 90 per cent of the farmland, and accounts for more than one fifth of the national income and about one half of exports. The rising export prices of rice, due to the general shortage in South-East Asia, have not been fully reflected in the domestic price, which was largely insulated by the government rice export monopoly. The internal price has however risen steadily though more moderately and has provided some incentive to the producers.

There was little war damage and production tended to increase in the post-war years though the extent of increase over pre-war level cannot be gauged accurately owing to under-estimation of pre-war crops. In 1951/52 a bumper crop was harvested but in 1952/53 output fell by 10 per cent as slight drought followed by floods in several western and west central provinces reduced the harvest area by more than 10 per cent and the unseasonable rainfall in some central provinces damaged the paddy stocked in the open to dry.

There has been no appreciable increase in yield per unit of land, but an agricultural development programme is under way aiming at higher yields especially by improvement and extension of irrigation and most important of all, the rice breeding programme for improved seeds,

A major irrigation project under way at Chainat, that will provide regular water supply to an area of 1 million hectares, should increase rice output by 800,000 tons. The cost of imported equipment is financed by a loan of $18 million from the International Bank, and the progress of the work to date allows the hope that it will be completed in 1958 as scheduled.

Research is also being carried out to find the optimum fertilizer combinations for various soils and to improve rice seeds by selection and cross breeding. In the next four years, chemical fertilizers will be purchased to be distrtibuted at cost over an area of about 54,000 hectares of paddy. The response to this experiment may however depend on the relative prices of paddy and fertilizers.

Owing to the dangers of excessive reliance on a single crop, the government is encouraging crop diversification and animal husbandry, particularly production of previously imported items such as jute, cotton and sugar.[1]

Rubber, with a total planted area of approximately 600,000 acres, is grown chiefly for export in small holdings in the southern provinces. Production and export exceeded the pre-war level, even in the early post-war years, and reached a record high during the 1950-51 boom but have since declined. The recent fall in rubber prices and the drop in earnings of tappers ho work on a share basis on larger holdings have aused hardships in the rubber growing areas, and the overnment is taking steps to assist rubber producers y improvement in the techniques of production, processing and grading.

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[1] Gould, Joseph S., "Thailand, a developing economy," *Indian Quarterly*, July-September, 1952, p. 314.

Teak and yang are the two principal *timber* roducts in Thailand. At present, the government upervises some 125,000 square kilometres of teak forests,[1] which are under regular exploitation, with due attenion to reforestation. Teak felling has steadily increased ince the end of the war. The amount of teak extracted n 1950 (245,000 cubic metres) was about 3 times he average annual extraction during 1945-48. Teak roduction for 1951 was estimated at 258.651 cubic metres.[2] Output figures for 1952 and 1953 are not available. Extraction of yang, an important construcion timber, and of other logs decreased moderately in 1952 as compared with 1951.

Mining

Tin, wolfram, antimony and lead are the four relatively important minerals. Much of the *tin*-mining equipment was damaged or allowed to deteriorate during the war and in 1947; production was less than one tenth of the pre-war peak. Starting in 1948 tin production began to improve considerably and reached the post-war peak in 1950 with an output or 14.6 thousand tons. Since then, output has fallen together with world prices. The appreciation of the free-market baht early in 1952 also was a severe below which hit small mines hardest and a number of them closed down. Many larger mines were operating at a loss because, if they closed, the reopening cost would exceed the operating loss. Total output of all tin mines declined substantially during the first three quarters of 1952. In September, foreign exchange which tin exporters had to surrender to the Bank of Thailand at the official rate was reduced from 40 per cent to 20 per cent of export proceeds, and this change restored a great part of the fall in earnings which had resulted from the currency appreciation. As a result, the output of tin increased substantially during the last quarter of 1952 and remained at a comparatively high level during the first half of 1953. In the summer of 1953 tin prices fell again after a period of relative stability. In the long run, production of existing mines is expected to decline as the exhaustion of a significant number of ore beds is predicted in the next ten years. A number of mines have already passed their optimum working age and are operating at considerably increased cost. Foreign mining interests have, according to available information, made no new investment since 1952. To help the tin industry, the government is considering a halving of the royalty rate.

Production of *wolfram* and *lead* followed a trend similar to tin, and wolfram producers are also reported to be in a difficult position.

Transport

The *railway* system which operated 3,272 kilometres before the war was badly dislocated by wartime bombing.[3]

Post-war rehabilitation progressed steadily with the assistance of a $3 million loan from the International Bank and United States Aid. Almost two thirds of the loan is being spent to re-equip the railway workshops at Makkasan, Bangkok, and the rest for signalling equipment. After considerable initial delays, construction is now going forward satisfactorily, and the workshops are likely to be completed in 1954. The signalling equipment is arriving and some has already been installed.[4]

In 1952, three major bridges destroyed during the war were replaced, and railway operation approached pre-war level, carrying 68 million ton-kilometres of freight in March 1953 against a monthly average of 25 million in 1948.

Highways so far have been used chiefly as feeders to the railway and river systems. However, the government is undertaking to construct in the next few years a system of trunk roads with a total length of nearly 5,500 kilometres and of provincial roads with a total length of 8,700 kilometres.

This programme, for which a loan has been under discussion with the International Bank, would increase more than three fold the existing road mileage. It is reported that 600 kilometres of new highways are to be opened to traffic in 1953, as compared with 300 kilometres opened in 1952 and 233 kilometres in 1951.[5]

The *waterways* which connect four rivers by a system of artificial canals are the most important means of inland transport carrying more than three fourths of the country's freight traffic. The number of licensed river craft has been reduced since pre-war, but the size of boats and the number of those operated by motors have increased.[6]

The development of the Bangkok *port* has been financed by an International Bank loan of $4.4 million. The greater part of the loan is being used to finance the foreign exchange cost of dredging a canal through the sand bar at the mouth of the Chao Phya river, to enable larger vessels to enter the port of Bangkok. The rest is being used to finance cargo-handling equipment at the port terminal, and navigation aid in port waters. The project should increase the port capacity and reduce cargo handling costs by the elimination of lighterage and trans-shipment charges. The dredging work which has been delayed, may be completed in 1954.

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[1] It has been estimated that 63 per cent or approximately 324,300 square kilometres of the total land area is under forest cover. Gould, *op. cit.*, p. 136.

[2] The above information on teak is from *Thailand—Summary of Basic Economic Information*, U.S. Department of Commerce, Business Information Service, World Trade Series, No. 389, May 1953.

[3] Bridges, principal stations, repair shops, about 50 per cent of the rolling stock, signal equipment, etc. were either completely destroyed or made unusable.

[4] International Bank for Reconstruction and Development, *Annual Reports*, 1950/51, 1951/52 and 1952/53.

[5] *Bangkok Post*, 11 October 1952.

[6] Licensed river craft in 1950 totalled 34,263, as compared with 72,000 licensed in 1939. Of the traffic craft, 3,511 are motor-driven against only 2,000 in 1939. See *Thailand—Summary of Basic Economic Information, op. cit.*

Fuel and power

The rapid increase in demand for *electricity* in the Bangkok area has resulted in overloading the generating facilities. New generators are being installed, and the situation had substantially improved by the end of 1953. A new power station with a capacity of 20,000 kw is proposed for Bangkok and Thonburi; it would take three years to build at a cost of 25 million baht. Surveys are being made of possible locations for hydro-electric projects in the northern part of the country.[1]

Wood is at present the main fuel, but cannot meet the expanding requirements of the economy. *Lignite* deposits are known to exist but their development is yet to be completed. *Petroleum* is known to exist in the province of Chiengmai, but the extent of resources is still to be determined.

Industry

Industrial development, which is so far limited in scope, has been handicapped by the lack of fuel, power and technical personnel. The government which has established and operated a number of factories is at present stressing the investment in power and transport. Until considerable improvement in the power supply results from the hydro-electric projects, no great strides in industry can be expected.

The progress in the main industries is briefly described below:

Cement production expanded rapidly in response to the high post-war level of demand, and an extension of the present capacity of 20,000 tons a month is planned. The establishment of another cement factory to supply the construction requirements of the Irrigation Department is being considered.

The establishment of a *steel* mill is under study by the government and by a number of Japanese companies who are also interested in developing the high grade iron ore deposits which have been found in the western part of the country.

The one *cotton* mill in Bangkok, with 21,000 spindles which supplied over half the requirements of the handloom industry, proved incapable, in the absence of import duties on yarn, of withstanding competition from imports after the appreciation of the baht in 1952. The mill was declared bankrupt in the middle of 1953 and is at present being reorganized.

A *glass* factory, which started operating at the beginning of 1953 with Australian capital, is now producing one million bottles a month. The government has raised import duties on bottles to offset the duties that had to be paid on imported raw materials.

The government is building an additional factory to manufacture *gunny bags*. When it is completed, domestic output should reach some 15 million bags a year, enough to cover three quarters of the country's requirements.

There are several other factories producing soap and other consumer goods, and the government is also running factories manufacturing paper, sugar, alcohol, and rubber goods. Plans have been made for the erection of more plants, particularly for chemicals, with the expected participation of foreign capital and technical experience.

While government investment has greatly expanded, there are at present no announced priorities in the allocation of funds. Projects are prepared by the ministries or departments and then submitted to the Cabinet. Even Cabinet approval does not mean however that the project is immediately put into operation, since this depends on the availability of funds. Projects can thus remain on paper until they are incorporated in the government budget. In 1952, the government has set up a planning committee to study existing projects and to recommend investment priorities.

EXTERNAL TRADE AND PAYMENTS

Despite continuous increases in the value of imports, the balance on account of goods and services showed sizable surpluses between 1947 and 1951, mainly because of the persistent rise in both the price and the quantity of rice exports. During 1950/51 the high prices of rubber and tin also contributed to the increase in foreign exchange earnings. The surplus, however, turned in 1952 into a deficit which grew larger in the first half of 1953.[2] While imports continued to increase during this period, export earnings fell, owing chiefly to the falling prices of rubber and tin and the decline in minor exports due to the appreciation of the free-market rate of the baht. In addition, there were large non-monetary gold imports which in 1952 apparently more than offset the trade surplus and in the first half of 1953 were far larger than the deficit on merchandise account. The increase in the deficit on services was also notable in the first half of 1953.

The Bank of Thailand used some of the liquid foreign assets which were accumulating in 1951 to purchase $66.4 million of International Bank sterling bonds. It appears that a large part of these bonds had

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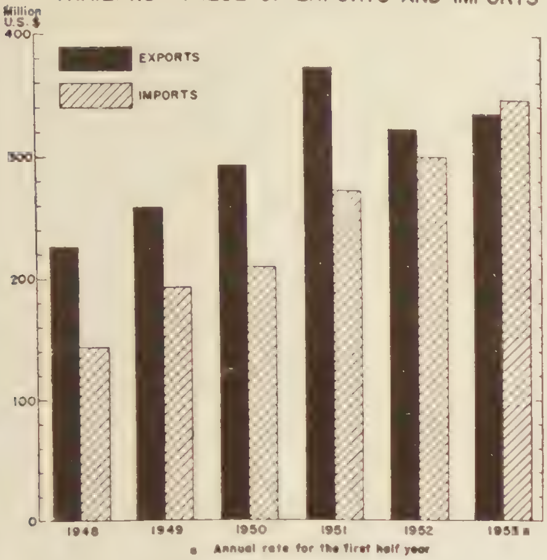
[1] There is also widespread although small-scale electricity generation in other municipalities and by private concerns.

[2] The magnitude of the deficit in the first half of 1953 might be exaggerated owing partly to the possible under-valuation of private rice exports, thus accounting for the unusually large errors and omissions in the balance of payments.

Chart 37

THAILAND: VALUE OF EXPORTS AND IMPORTS



Jan-Jun at annual rate.

been sold in 1952 since the Bank's liquid foreign assets increased in spite of a deficit on current account. In the first half of 1953, foreign reserves showed, for the first time since 1948, a small decline.

Exports and export control

Rice is the major export commodity which accounted or about one half of the total export earnings in the post-war period; it is followed by rubber, tin and teak n that order. Almost all foreign exchange earnings rom rice expors and a minor part of those from rubber and tin exports must be surrendered to the Bank of Thailand at the official exchange rate. Other exchange arnings can be sold on the free market.

In 1952 and 1953, approximately two thirds of rice exports were sold under government-to-government contracts, and the rest exported privately, usually at substantially higher prices. The government has succeeded in isolating the domestic price from fluctuaions in export prices by keeping its internal procurement price steady and by a rigorous system of export control over private trade. In order to obtain a icence to export 1 ton of rice, millers must sell 5 tons o the government at a price that has remained unchanged since 1948 and at times could not cover the miller's costs. The proportion of permitted exports (so-called "inducement rice") to deliveries to the government has varied from time to time and is so calculated that the profits on the one are largely offset by the losses on the other.

Besides, the government also sells export licences to approved dealers (so-called free quota rice) for a premium that is calculated on the basis of the difference between the domestic and the foreign free market price. The government sells to the Bank of Thailand at the official rate of exchange its export earnings and private traders must turn in an equivalent amount of foreign currency per ton exported. If they succeed in obtaining a higher price the remainder can be sold on the free market. Because of these quantitative controls and these various types of export duties, traders and millers have no incentive to bid up the domestic price.

Favoured by strong foreign demand and high export prices, rice exports followed the rising trend of production until 1951, but in 1952 they fell by 9 per cent, in spite of the fact that the 1951/52 crop was 10 per cent higher than the previous year's. The government decided early in 1952 to limit exports. Export quotas were reduced, and export prices were raised by about 7 per cent for government contracts. Free market export prices which were already higher rose even more. In the last quarter of 1952, export quotas were announced rather late and prices went up again, by about 11 per cent in the case of government rice.

Buyer's resistance to the high prices became evident in 1952/53, supported by a world-wide increase in rice production and the continuing shift in consumption from rice to other grains. Thus early in 1953 although the government deferred the conclusion of export contracts, there was no rush to buy free market rice. Exports of "free quota" rice were further discouraged by the increase in the premium payable by private exporters from $20 to $30 per ton, and by the increase from 4.5 to 5 tons in required sales to the government for each ton of "inducement rice" exported. Private exporters therefore found it more difficult to make price concessions in foreign markets where competition between sellers was gradually becoming keener.

The large crop and reduced exports in 1952 resulted in a big carry-over.

While Ceylon and the Philippines were not buying any rice in 1953, India and Indonesia, which had been important customers in 1951 and 1952, reduced their purchases to a very small amount. Hong Kong, Japan and some other countries imported more Thai rice in 1953 than in 1952. Total rice exports in 1953, at 1,340 thousand tons, were about 6 per cent below that in 1952. At the end of October, the government lowered its contract price (the so-called "f.o.b. charges" were reduced from $20 to $14), while prices of "free" export rice were falling on the international markets.[1]

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[1] Price of 5 per cent broken Thai "free" rice in the Singapore market dropped from M$43.00 per picul on 17 August to $M41.50 on 28 September 1953. In mid-April the price was M$47.00 (*Bangkok Post*, 30 September, 1953).

TABLE 53

THAILAND: EXPORTS OF PRINCIPAL COMMODITIES

Quantity: Thousand tons
Value: Million dollars

	RICE[a]		RUBBER		TIN	
	Quantity	Value	Quantity	Value	Quantity	Value
1951						
Jan-Jun	799	98.2	54.9	58.8	6.2	12.2
Jul-Dec	778	100.0	54.9	45.0	6.3	10.5
1952						
Jan-Jun	735	104.6	48.9	29.3	5.8	9.3
Jul-Dec	690	105.6	50.6	24.8	7.2	12.1
1953						
Jan-Jun	720	113.5	48.9	21.9	6.9	11.1
Jul-Oct	401	62.9	31.6	11.7	4.3	5.3
Jul-Dec	620	98.2	..	..	..	..

Source: Bank of Thailanl.
a. Including donations. Value includes f.o.b. charges and premium.

In the first days of 1954, the Thai government announced that it was prepared to lower its export price. Internal prices had already declined owing to the accumulation of stocks.

Export earnings from *rubber* fell by half in 1952 as compared with 1951 and by one-third in 1953[1] as compared with 1952, owing chiefly to the considerable fall in prices. The Thai-United States rubber purchase agreement lapsed at the end of 1952 and was not renewed. While it had routed all Thai rubber exports to the United States market, it did nothing to support the price. Under the terms of a one-year agreement concluded in September 1953, Japan agreed to buy Thai rubber to a total value of $1 million. The approciation of the free market baht early in 1952 and the requirement to surrender to the Bank of Thailand 20 per cent of the exchange earned on rubber exports at official rates affected the competitive position of Thai rubber on the world market, in a period of falling prices.

TABLE 54

THAILAND: RICE EXPORTS

Thousand tons

To	1950	1951	1952	1953
India	88	230	176	4
Indonesia	90	180	220	49
Philippines	6	109	31	—
Ceylon	30	—	16	—
Malaya	467	406	377	377
Hong Kong	191	115	172	235
Japan	318	336	306	476
Korea	—	40	47	99
Other countries	299	161	80	100
Total exports	1,489	1,577	1,425	1,340
Total production of paddy	6,684 (1949/50)	6,782 (1950/51)	7,325 (1951/52)	6,602 (1952/53)

Sources: National Economic Council and Bank of Thailand.

Tin exports rose in the second half of 1952 and the first quarter of 1953, because of higher profits following the reduction in the proportion of exchange earnings that had to be surrendered to the Bank of Thailand at official rates. Exports fell in response to the April 1953 fall in tin prices: in May they were only 883 tons as compared with 1.417 tons in March. They have risen again since June.

Exports of *timber* had risen up to 1951 when the high price of teak diverted foreign demand to substitutes, while exports of other types were banned in order to conserve supplies for the home market. Owing to the deterioration of the balance of payments position, this ban has been lifted since July 1953.[2]

Imports and import policy

Up to November 1953, Thailand had made very limited use of quantitative import restrictions, but had relied on multiple exchange rates. The official rate of 35 baht to the pound applies to the bulk of exports—rice and part of the proceedings from tin and rubber, while it is used only for a very limited range of imports, mostly government procurement. The Bank of Thailand sold part of its excess foreign exchange receipts to the commercial banks at the rate of 45 baht to the pound for the purchase of a wide range of permitted imports. Exchange for other imports and for invisible payments had to be obtained from the free market which is fed by part of the proceeds of rubber and tin exports, as well as by those from other minor exports. The Bank of Thailand has on occasion intervened in the free market by selling additional supplies of exchange to the banks. The Bank can also affect the demand for exchange on the free market by changing the list of commodities for which it is prepared to supply sterling at the rate of 45 baht.[1]

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[1] As indicated by the annual rate of the first ten months.

[2] No data have been available since 1950 on other commodity exports, because of the reorganization still in progress of customs statistics.

The value of imports has increased continuously since 1948 as a result of the expansion in money income arising from the export boom and the considerable rise in government expenditure. In 1952 and 1953, although export proceeds declined, the great increase in government expenditure and in the budget deficit helped to sustain import demand. In order to lower the cost of living, the government instructed the Bank of Thailand in February 1952 to reduce its selling rate of sterling from 51 baht to 45 baht per pound, an appreciation of 13 1/3 per cent. As a result, large imports were financed by sterling which the Bank of Thailand had to supply to the free market to support its new rate.

The commercial banks' selling rates showed a smaller appreciation and the Bank of Thailand imposed exchange control on capital movements and outward remittances.[2] The commercial banks' rates came close to the Bank's rate in July and remained stable up to February 1953, owing possibly to large Bank sales of sterling to the commercial banks.

Gold imports when permitted by the Ministry of Finance are also financed by foreign exchange available in the free market. Before November 1952, no permits were given. Since then, the sole right to import gold was given to a newly organized financial syndicate,[3] which was importing a monthly average of $3 million of gold in the first half of 1953.

In view of the recent adverse change in the balance of payments and the declining government revenue, a bill raising import duties on many non-essential goods (including pianos, gramophones, records, automobiles, liquors, refrigerators, etc.) was passed in September 1953.

The foreign exchange supply deteriorated in 1953 with the fall in the value of exports. In March the Bank started to reduce the number of commodities for which it was prepared to sell sterling exchange, and the free rate of the baht fell as a consequence. Political fears caused by the brief invasion of Laos in May caused a further depreciation. As the sterling reserves of the Bank declined, new commodities were struck off the list of imports financed at the Bank rate. Increased demand and falling supply on the free market caused a continued fall in the baht rate to 57 baht to the pound in October. The fall in the value of the currency was arrested by imposing import controls over a wide variety of goods in November. Despite the immediate rise in the value of the currency which followed, this measure missed its declared purpose of bringing down the cost of living, since scarcities, real or anticipated, drove up substantially the prices of most imported commodities.

PUBLIC FINANCE, MONETARY POLICY AND INFLATION

The two most important factors affecting the monetary situation have been the balance of payments and the government budget.

Considerable caution is however necessary in interpreting the monetary impact of the balance of payments surpluses. Owing to government export of rice and to the multiple exchange rate system, a substantial part of export earnings accrue to the government Rice Bureau (arising from the difference between the government domestic procurement price and its export price), while the exchange profits of the Bank of Thailand, arising from the difference between the buying rate of 35 baht to the pound and the selling rate of 45 baht, lessen the amount of currency created by an export surplus. These arrangements meant that farm incomes remained fairly stable throughout the export boom and that foreign trade had a deflationary bias since each dollar of imports absorbed more currency than was created by a dollar of exports.

The profits of the Rice Bureau are regarded as part of the government revenue, and are therefore not shown separately in table 55, which summarizes the main expansionary and contractionary forces at work in the economy. The exchange profits of the Bank, on the other hand, are not transferred directly to the government, and are therefore shown as a deduction from the balance of payments surplus.[4]

By 1949, the expansion in physical production and in the availability of goods, the budgetary surplus and the siphoning off of purchasing power by the Bank ahd brought under control the inflationary pressures inherited from the immediate aftermath of the war.

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[1] For imports of non-essentials from Japan the rate which are very close to commercial banks' rates are announced by the Bank of Thailand fortnightly.

[2] Since May 1952 exporters have been required to sell to or deposit their foreign exchange proceeds with authorzied banks or exchange dealers. Since March 1952 remittances for family maintenance abroad and expenses for foreign travelling are limited. Any excess requirement and capital transactions have to be approved by the Bank of Thailand.

[3] The syndicate, with 12 leading banks as its share-holders, sells gold to some large gold companies for resale to local gold shops. It was explained that while the smuggled imports of gold would be difficult to prevent, permission of legal imports would raise revenue for the government from the special fees charged and supply the people with better quality gold at reasonable prices. It seems that the government has no intention to discourage gold hoarding. Some of the gold may however be re-exported.

[4] The dollar figures of the balance of payments have been converted into baht at the official rate of exchange. The resulting baht figure, less the exchange profit of the Bank, indicates approximately the total monetary effect of foreign trade, including of course the creation of deposits in favour of the government from its profits on rice exports.

TABLE 55

THAILAND: FACTORS FOR MONETARY EXPANSION AND CONTRACTION

Million baht

	1949	1950	1951	1952	1953 First half
Balance of payments on current account[a]	523	756	728	—223	—440
Exchange profits[b]	340	259	181	583	287
Increase in loans and advances of commercial banks		33	132	124	252[c]
Government accounts	29	—125	—713	—761	—748[d]
Increase in money supply	226	860	940	25	342
Total money supply (end of the period)[e]	3,107	3,967	4,907	4,932	5,274

Sources: Ministry of Finance, Bank of Thailand.

a. Goods, services non-monetary gold and private donations. Dollar figures converted at the official rate of exchange.
b. Estimated on basis of "Other deposits" in the Bank of Thailand's returns.
c. First five months.
d. Balance of actual revenue and half of estimated budget expenditure.
e. Including notes in circulation and demand deposits of commercial banks.

The boom of 1950-51 brought about a re-emergence of inflation. Despite the rapid rise in government revenue, expenditure rose faster and the 1949 surplus was turned into a deficit of widening magnitude. The rapid rise in expenditure was due to increased outlays on defence, higher pay to the civil service as the cost of living increased, and a particularly rapid growth in capital expenditure, which has been accounting for an increased share of both total expenditure and national income.

In addition, the large balance of payments surplus was offset to a small degree only by the Bank's exchange profits. The result of these forces can be measured in the rapid rate of currency expansion in 1950 and 1951.

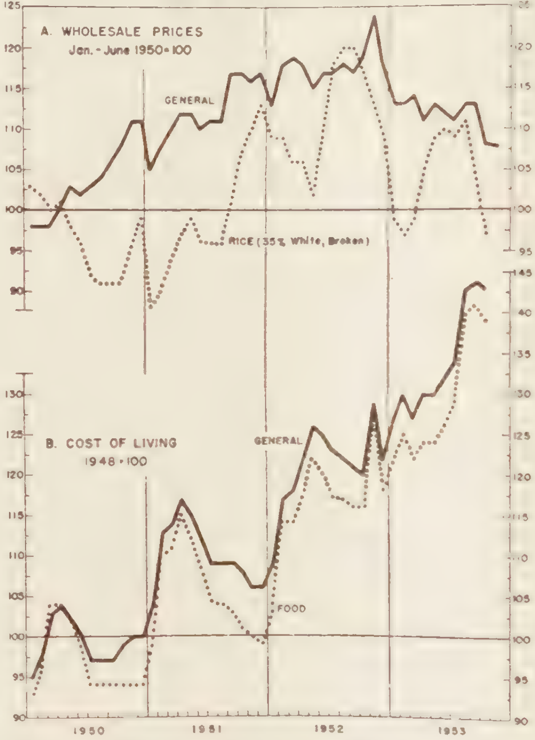
The threat of inflation was increased in 1952 by the sizable government deficit, the continuous rise in the export price of rice which caused the domestic wholesale price to rise by 12 per cent in the year, and the bumper rice crop which resulted in a great expansion in money incomes.

Currency appreciation was carried out in February 1952 in order to counter these dangers. The volume of imports rose steeply as a consequence, while exports were discouraged and the balance of payments turned into a deficit which, together with the increase in exchange profits of the Bank, offset the effect of the government deficit: currency circulation remained almost unchanged. Domestic prices of imported goods fell by nearly 23 per cent between the second half of 1951 and of 1952, without however much effect on the cost of living of the working classes of which imports are but a small component.

Government revenue increased again in 1953 largely as a result of the introduction of a few new taxes and of increases in tax rates which affected business taxes, import duties, purchase taxes and alien registration fee. The budget deficit was however larger than the actual deficit of 1952. The government has received large-scale borrowing powers to finance capital outlay[1] and has borrowed from the Bank both foreign exchange and the Bank's exchange profits.

Chart 38

THAILAND: INDEX NUMBERS OF WHOLESALE PRICES AND OF COST OF LIVING



The figures in table 55 would suggest a situation of monetary equilibrium in 1953, with the government deficit being offset by the exchange profits of the Bank of Thailand and the import surplus. However, as mentioned above, it appears that the balance of payments deficit for the first half of the year was considerably overstated. The rise in bank advances, essentially to finance the large rice inventories, was also an inflationary factor, which, together with the government deficit, accounted for the increases in money supply and prices which had occurred in 1953.

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[1] The Loan Act for Reconstruction and Development was passed early in 1953, empowering the government to borrow up to 1,200 million baht in foreign exchange from the Bank of Thailand and 2,800 million baht in local currency from the public.

While the balance of payments deficit of 1952 had been the result of deliberate government policy, and was easily met from the reserves of the Bank, even the small deficit for the first half of 1953 created difficulties for the Bank, because of its desire to keep the currency issue backed by a high ratio of foreign exchange holdings. While the rise in money supply might have been responsible as much as the foreign trade deficit for the stringency in exchange availability, the Bank found itself incapable of backing the government policy of lowering the cost of living through appreciation of the currency, as had been done early in 1952. It proved necessary to impose import restrictions in November in order to sustain the higher rate desired by the government, since the Bank was unwilling to finance the higher rate of imports that would otherwise have resulted from cheaper import prices. The inflationary consequences of this policy have already been mentioned.

CONCLUSION

Thanks to its favoured export position and to the monetary policy of the Bank, the Thai economy experienced in the last few years both a rapid rate of growth and a greater measure of stability than was common among countries of the region. Problems of adjusting the economy to a lower level of export prices had barely made their appearance by the end of 1953. Serious difficulties might however occur in 1954 if export prices were to decline substantially, as the government accounts are already in substantial deficit despite the current high level of revenue. The government may have to choose between decreasing its rate of investment and other measures of budgetary economy, steps to promote exports and discourage imports may prove necessary as well.

ASIAN ECONOMIC STATISTICS

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SOURCES

o ensure comparability, data compiled or published by the United Nations Statistical Office have been incorporated vherever possible; material supplied by governments, publications of governments, of the United Nations and its pecialized agencies and of international commodity study groups have been used as additional sources.

SPECIAL TABLES

A. PRODUCTION OF SELECTED AGRICULTURAL PRODUCTS

	AREA (1,000 hectares)					PRODUCTION (1,000 tons)				
	1934-38 average	1950/51	1951/52	1952/53	1953/54	1934-38 average	1950/51	1951/52	1952/53	1953/54
RICE (paddy)										
Burma	4,931	3,831	3,816	*4,000*	..	6,971	*5,200*	5,500	5,841	..
Cambodia	..	1,086	1,180	1,112	..	.. [d]	1,301	1,440	1,410	..
China (Taiwan only)	666[a]	*770*	*780*	*785*	..	1,642[a]	*1,950*	*2,040*	*2,100*	*2,300*
India	25,081[b]	30,810	29,811	30,219	*27,296*	34,182[b]	30,862	31,609	35,698	..
Indonesia	*6,042*	6,041	6,440	6,530	..	9,987	8,615	9,180	9,660	..
Japan	3,169	2,994	3,004	3,004	*3,015*	11,501	12,064	11,302	12,404	*10,427*
Korea (south)	1,216[c]	*1,010*	*915*	*1,225*	*1,230*	2,726[c]	*2,935*	*2,560*	*2,929*	*3,000*
Laos	..	850	765	800	..	.. [d]	570	502	500	..
Pakistan	7,562[b]	9,065	9,098	9,314	..	11,169[b]	12,490	11,800	12,211	..
Philippinos	1,990	2,292	2,466	2,456	*1,715*	2,179	2,765	2,831	3,144	..
Thailand	3,370	5,295	5,736	5,130	..	4,357	6,782	7,325	6,602	*6,038*
Viet-Nam	..	*1,650*	1,869	1,924	..	.. [d]	*2,210*	2,564	2,633	..
WHEAT										
China (Taiwan only)	1	18	14	*14*	..	1	19	15	16	..
India	10,802	9,758	9,746	9,403	*9,726*	7 411	6,391	6,462	5,861	*6,870*
Japan	684	764	733	720	*685*	1,288	1,338	1,490	1,537	*1,374*
Pakistan	3,766[f]	4,336	4,383	4,142	*3,859*	3,183	4,022	4,016	3,112	*2,617*
SUGAR										
China (Taiwan only)										
Centrifugal (raw value)	..	..	..	..	..	1,073[g]	356	*542*	*762*	..
India: Centrifugal (raw value)	1,326[b]	1,708	1,939	1,771	*1,532*	1,090[b]	1,350	*1,780*	*1,590*	..
Non-centrifugal; Gur	..	..	..	..	..	2,800[h]	3,180	3,330	3,360	..
Philippines: Centrifugal (raw value)	241[h]	140	169	*200*	..	960[h]	848	*977*	*1,052*	..
Non-centrifugal	..	..	..	..	..	57[h]	36	*45*	*36*	..
POTATOES										
Japan	151	192	197	197	..	1,622	2,442	2,569	2,515	*2,386*
India	*132*[h]	240	248	246	*199*	*1,833*	1,656	1 728	1,963	..
SWEET POTATOES & YAMS										
China (Taiwan only)	126[i]	233	231	*230*	..	1,279[i]	2,201	2,022	*2,100*	..
Indonesia	206	229	241	*249*	..	1,459	1,615	1,676	1,800	..
Japan	248	397	376	377	*362*	3,060	6,290	5,534	6,205	*5,199*
Philippines	84	123	116	102	..	202	572	420	780	..
SOYBEANS										
Indonesia	337	367	396	413	..	241	255	270	278	..
Japan	326	413	422	410	..	321	447	474	521	..
GROUND NUTS (in shells)										
India	3,246[b]	4,494	4,774	4,800	*3,907*	3,196[b]	3,481	3,094	*2,940*	..
Indonesia	*267*	255	290	262	..	293	286	302	256	..
COPRA										
Ceylon	..	..	..	..	..	215	193	249	267	..
India	..	..	..	..	..	41	*220*	*220*	234	..
Indonesia	..	..	..	..	..	715	448	507	410	..
Malaya	..	..	..	..	..	188[i]	152	163	157	..
Philippines	..	..	..	..	..	695	994	1,056	*900*	..
COFFEE										
India	..	..	..	..	..	16.5	18.7	21.2	22.7	..
Indonesia	..	..	..	..	..	123.7	36.1	*45.0*	..	..
TEA										
Ceylon	226	227	230	231	..	103.9	143.4	148.0	143.7	..
India	309[b]	314	*316*	*318*	..	178.0[b]	275.5	*283.3*	*282.0*	..
Indonesia (estate post-war)	198	67	68	65	..	74.8	35.4	46.5	*37.0*	..
Japan	39	27	28	30	..	49.3	41.7	44.0	57.0	..
Pakistan	44[b]	30	30	..	..	25.6[b]	*24.2*	*24.2*	24.5	..
TOBACCO										
Burma	40	48	*55*	*55*	..	45.2	47.8	*48.5*	*45.7*	..
India	365[b]	357	309	323	..	343.0[b]	261.1	229.0	223	..
Indonesia: Java and Madura	176	*110*	*110*	*120*	..	97.5	*55*	*45*	*45*	..
Sumatra: estate	13	4	4	4	..	13.8	3.4	*2.8*	*2.6*	..
native	..	..	29	29	..	..	..	*8.6*	*8.6*	..
Japan	35	52	54	55	..	63.5	92.0	96.0	96.0	*109*
Pakistan	142[b]	*69*	*72*	*69*	..	151.4[b]	*68.0*	*75.8*	*68.3*	..
COTTON										
India: seed	9,988[j]	5,891	6,561	6,345	..	2,290[j]	*1,186*	*1,370*	*1,290*	..
lint	9,988[j]	5,608	6,561	6,345	*4,738*	1,150[j]	593	685	645	..
Pakistan: seed	..	1,218	1,366	1,388	..	..	*529*	*572*	*666*	..
lint	..	1,218	1,366	1,344	..	..	265	286	334	..
JUTE										
India	420[k]	588	790	742	*514*	1,850	599	849	967	..
Pakistan	..	510	720	442	..	..	808	1,149	1,238	..
ABACA										
Indonesia (exports)	..	..	..	..	..	3	7	*6*	*6*	..
Philippines	292[m]	318	166	..	..	170	165	91	126	..
RUBBER										
Ceylon	..	..	..	..	..	62	115	107	96	*85*
Indonesia	..	..	..	..	..	353	708	818	738	*680*
Malaya	..	..	..	..	..	423	705	615	595	*560*
Thailand	..	..	..	..	..	32	114	111	100	*98*
WOOL										
India	..	..	..	..	..	24[j]	14	14	14	*14*
Pakistan	..	..	..	..	..	..	6	6	6	*6*

GENERAL NOTES: Figures for crop areas relate generally to harvest.

a. 1931-37. b. 1936-38. c. 1930, 1934 and 1936.

d. Total average production of Cambodia, Laos and Viet-Nam in 1934-38 amounted to 6,498,000 tons.

f. 1937-39. g. 1936-40. h. 1935-39.

i. 1939. j. Including territory now under Pakistan.

k. 1934-37. m. 1938.

B. RAILWAYS: ROLLING STOCK

	Number of locomotives					Number of passenger cars					Number of freight cars				
	1938	1948	1951	1952	1953	1938	1948	1951	1952	1953	1938	1948	1951	1952	1953
BRITISH BORNEO															
North Borneo	13[c]	11	16	16	..	44[c]	22	32	33	..	156[c]	80	173	158	..
BURMA	369	274	316	312	..	1,167	479	527	705	..	9,690	6,912	6,067	5,975	..
CEYLON	249	239	264	271	..	1,324	1,276	1,423	1,478	..	2,286	2,764	2,604	2,750	..
CHINA (Taiwan only)	205	253	249	249	257[g]	498	456	613	595	598[i]	4,654	5,703	5,411	5,470	5,375[i]
HONG KONG	17	16	16	16	..	44	34	34	34	..	134	60	262	243	..
INDIA[a]	8,488[d]	8,194	8,615	8,572	..	26,338[d]	20,979	20,969	29,919	..	221,509[d]	214,320	212,861	215,798	..
INDONESIA[b]	1,279	533[f]	882	946	..	3,600	1,863	2,470	2,804	..	27,236	15,000	20,190	20,699	..
JAPAN[b]	4,124	6,283	5,458	5,444	5,468	10,958	14,070	14,051	14,108	14,335	69,940	107,716	105,862	109,500	106,626
KOREA (South)	..	650	583	561	553[h]	..	..	..	654	..	..	..	5,192	8,907	..
MALAYA	179[c]	201	188	188	..	405[c]	289	299	293	..	5,776[c]	4,967	4,969	5,029	..
PAKISTAN	—	1,276	..	..	..	—	4,088	..	..	..	—	37,615	..	..	..
PHILIPPINES	178[e]	92	101	113	..	397[e]	258	384	388	..	2,427[e]	2,089	2,191	2,170	..
THAILAND	200	339	438	456	454[g]	322	453	600	593	571[i]	3,833	5,436	6,075	6,129	6,401[i]

GENERAL NOTES: The time of year to which figures relate is the end of the working year. Pre-war data for Japan relate to 1936. Locomotives: All vehicles with engines or motor and motive power or with motors only. Passenger cars: All passenger carrying cars including railcars, baggage cars and railway-owned postal vans. Freight cars: All goods-carrying cars excluding baggage vans and cars used exclusively for service traffic.

a. Passenger cars and freight cars include service vehicles.
b. State Railways only.
c. 1941.
d. Including territory now under Pakistan.
e. 1939.
f. Excluding locomotives under repair.
g. As of August.
h. As of June.
i. As of July.

C. MOTOR VEHICLES IN USE

Thousands

	Number of commercial motor vehicles					Number of passenger motor cars				
	1938	1948	1951	1952	1953	1938	1948	1951	1952	1953
BRITISH BORNEO										
Brunei	..	0.18	0.56	0.72	..	..	0.05	0.30	0.35	..
North Borneo	..	0.37	0.64	0.72	..	..	0.16	0.92	1.19	..
Sarawak	0.11	0.18	0.91	0.74	..	0.19	0.16	0.80	0.62	..
BURMA	14.0	22.0	12.0	11.0	..	6.90	10.9	7.7	9.7	..
CAMBODIA	..	1.22	..	..	..	..	0.94	..	..	..
CEYLON	7.20	12.46	15.68	17.60	..	21.04	27.60	40.03	45.50	..
CHINA (Taiwan only)	5.93[e]	3.37	5.05	5.65	6.01[g]	3.01	1.64	2.25	2.58	3.08[g]
HONG KONG[a]	..	2.90	3.60	3.81	3.37[h]	..	6.39	10.39	11.64	12.26[h]
INDIA	36.4[d]	86.1	121.2	116.9	..	88.1[d]	119.9	159.1	155.3	..
INDONESIA[b]	15.87	11.58	29.3	35.6	..	50.0	10.3	31.0	39.4	..
JAPAN[c]	80.1	108.2	139.7	153.5	168.1	46.2	21.3	29.5	36.4	47.4
KOREA (South)	..	10.9	..	..	..	..	3.8	..	..	..
LAOS	..	0.30	..	..	..	..	0.20	..	..	..
FEDERATION OF MALAYA[b]	6.52[e]	15.14	17.55	19.88	20.41[h]	20.45[e]	19.76	35.90	44.85	47.72[h]
SINGAPORE	3.02	7.03	8.34	9.56	9.93[g]	10.18	12.71	24.27	29.57	31.99[g]
PAKISTAN	..	10.0	14.0	16.0	..	..	16.0	20.0	..	..
PHILIPPINES[b]	18.3[f]	49.5	50.8	52.05	..	30.4[f]	34.6	46.9	50.00	..
THAILAND	5.13	5.72	7.0	..	..	5.1	6.3	11.50	..	..
VIET-NAM	..	6.09	..	..	..	..	12.01	..	..	..

GENERAL NOTES: Passenger motor cars relate to motor cars seating less than eight persons, including taxis but excluding motorcycles. Commercial motor vehicles relate to lorries, buses, tractor and semi-trailer combinations, excluding trailers, farm and road tractors.

a. Commercial vehicles include government vehicles which in 1952 numbered 780.
b. Including government vehicles.
c. Pre-war figures relate to 1936. Small sized vehicles excluded.
d. 1939: British India excluding Indian States and Burma.
e. 1940.
f. 1937.
g. As of July.
h. As of June.

D. INTERNATIONAL TRANSACTIONS

	1950	1951	1952	1953 First half	1949	1950	1951	1952	1953 First half
	(1) BURMA (Mn K.)				(2) CEYLON (Mn Rs.)				
A. Goods and services	115.9	227.1	281.1	301.9	28	206.1	166.3	—342.0	*—151.4*
Exports, f.o.b.	724.6	962.5	1,153.4	756.3	1,013	1,414.7	1,767.8	1,406.8	*737.3*
Imports, c.i.f.	—508.6	—680.4	—807.8	—391.2	—1,029	—1,173.1	—1,514.0	—1,616.0	*—823.7*
Balance of trade	216.0	282.1	345.6	365.1	—	241.6	253.3	—269.2	*—86.4*
Non-monetary gold movement (net)	—20.7	—12.1	—0.5	—	—2	—2.1	—2.1	—2.5	*—1.0*
Transportation and insurance	—13.2	—13.7	—14.7	—6.3	44	18.4	15.0	10.9	*—41.4*
Other services (net)	—66.2	—29.2	—49.3	—56.9	2	—51.8	—100.4	—81.2	*—22.9*
B. Private donations	—101.1	—47.0	—41.8	—79.9	—58	—68.8	—77.1	—103.6	*—34.9*
C. Private capital movements	—11.9	—13.7	—9.5	—5.1	—22	—21.7	—41.0	25.1	*—6.2*
D. Net errors and omissions	12.1	7.3	—25.2	—16.1	—4	19.8	61.7	49.0	*35.3*
E. Total (A through D)	15.0	173.7	204.6	260.8	—56	135.4	109.9	—371.5	*—157.2*
F. Official donations	—	19.8	35.3	11.7	—	—	—	—	*3.3*
G. Official long-term capital	—	—29.8	. .	. .	38	11.6	—76.4	—6.7	*189.9*
Loans: drawings	—	—	—	—	—	—	—	—	—
Loans: repayments	—	—13.1	. .	. .	—	0.3	1.3	1.9	*0.8*
Portfolio securities	. .	—	. .	. .	38	11.3	—77.7	—8.6	*189.1*
Other	. .	—16.7	. .	. .	—	—	—	—	—
H. Official short-term capital and monetary gold	—15.0	—163.7	—239.9	—272.5	18	—147.0	—33.5	378.2	*—36.0*
Sterling balances			—161.8	—245.4	8				
Dollar balances	—18.1	—176.2	—38.6	—16.1	—	—154.4	—32.3	355.1	*—35.2*
Other assets			—7.5	—6.0	10				
Liabilities	3.1	12.5	—32.0	—5.0	—	7.4	1.2	23.1	*—0.8*
Monetary gold	—	—	—	—	—	—	—	—	—
	(3) CHINA (Taiwan only, Mn $)				(4) INDIA[a] (Mn Rs.)				
A. Goods and services	—95.9	—49.0	—96.6	—53.3	—1.780	565	—723	—271	—149
Exports, f.o.b.	75.5	102.3	119.5	55.6[b]	4,295	5,561	7,495	6,491	2,514
Imports, c.i.f.	—119.3	—146.7	—205.4	—99.7	—6,283	—5,252	—8,624	—7,426	—2,913
Balance of trade	—43.8	—44.4	—85.9	—44.1	—1,988	309	—1,129	—935	—399
Non-monetary gold movement (net)	—50.8	0.6	1.9	. .	. .	. .	. .	. .	. .
Transportation and insurance	. .	1.2	—0.8	—4.3	178	192	316	179	70
Other services (net)	—1.3	—6.4	—11.8	—4.9	—249	—184	—289	89	9
Unclassified	—	—	—	—	279	248	379	396	171
B. Private donations	4.0	2.2	1.7	1.1	103	116	134	168	73
C. Private capital movements	. .	0.3	0.6	0.8	—210	—88	—24	—19	33
D. Net errors and omissions	—2.6	0.7	2.8	0.5	137	—416	—504	—708	66
E. Total (A through D)	—94.5	—45.8	—91.5	—50.9	—1,750	177	—1,117	—830	23
F. Official donations	30.5	59.2	94.6	51.3	—	21	14	119	80
G. Official long-term capital	—4.1	—4.5	—1.2	4.5	84	87	356	496	—11
Loans: drawings	—	—	—	5.5	116	95	428	553	6
Loans: repayments	4.1	—4.5	—1.2	—1.0	—25	—28	—28	—7	—
Portfolio securities (net)	—	—	—	—	—7	20	—15	—18	—17
Other	. .	. .	. .	. .	—	- -	—29	—32	—
H. Official short-term capital and monetary gold	68.1	—8.9	—1.9	—4.9	1,666	—285	747	215	—92
Sterling balances									
Dollar balances	12.1	—6.1	0.5	—4.0	1,532	—215	492	636	—180
Other assets					61	32	5	—30	—
Liabilities	7.8	—2.2	—0.5	—	73	—102	250	—391	88
Monetary gold	48.2	—0.6	—1.9	—0.9	—	—	—	—	—

D. INTERNATIONAL TRANSACTIONS (*Cont'd*)

(5) INDONESIA (Mn Rp.)

	1949	1950	1951	1952	1953 First half
A. Goods and services	—552	915	682	—2,909	
Exports, f.o.b.	1,477	2,954	4,700	10,187	
Imports, c.i.f.	—1,528	—1,685	—3,250	—11,227	
Balance of trade	—51	1,269	1,530	—1,040	
Non-monetary gold movement (net)	..	..	..	..	
Transportation and insurance	—169	—120	—51	—266	
Other services (net)[d]	—332	—234	—797	—1,603	
B. Private donations[d]	..	..	..	..	
C. Private capital movements	—31	—42	—87	—218	
D. Net errors and omissions	—195	—262	—186	—429	
E. Total (A through D)	—778	611	409	—3,556	
F. Official donations	631	150	2	83	
G. Official long-term capital	160	29	150	897	
Loans: drawings	193	29			
Loans: repayments	—33				
Portfolio securities	—		150	897	
Other	—				
H. Official short-term capital and monetary gold	—13	—790	—561	2,576	
Sterling balances	—7	—210	—254		
Dollar balances	—11	—359		2,019	
Other assets	—	—69			
Liabilities	5	—36	—38	52	
Monetary gold	—	—116	—269	505	

(6) JAPAN (Mn $)

	1949	1950	1951	1952	1953 First half
A. Goods and services	—306.4	70.2	158.4	193.3	*—139.7*
Exports, f.o.b.	533.3	821.3	1,353.6	1,276.0	*618.1*
Imports, c.i.f.	—909.1	—987.4	—2,008.2[c]	—2,031.8[c]	*—1,161.0*[c]
Balance of trade	—375.8	—166.1	—654.6	—755.8	*—543.3*
Non-monetary gold movement (net)	2.9	3.8	4.4	5.6	*2.2*
Transportation and insurance	17.0	42.3	136.4	184.3	*82.6*
Other services (net)	49.5	190.2	672.2	759.2	*318.4*
B. Private donations	4.0	43.1	15.7	27.0	*13.6*
C. Private capital movements	—	5.4	34.2	37.5	*—28.9*
D. Net errors and omissions	—17.7	—23.1	8.6	—0.4	*18.3*
E. Total (A through D)	—320.1	95.6	216.9	257.4	*—136.7*
F. Official donations	516.3	361.3	155.1	5.5	—
G. Official long-term capital	—17.5	—0.2	—2.4	—77.0	*—228.6*
Loans: drawings	—	—	—	39.7	—
Loans: repayments	—	—0.2	—2.5	—3.2	*—39.7*
Portfolio securities	—17.5	—	—	—1.0	—
Other	—	—	0.1	—112.5	*—188.9*
H. Official short-term capital and monetary gold	—178.7	—456.7	—369.6	—185.8	*365.3*
Sterling balances	—55.8	—14.0	—156.8	—50.7	*204.0*
Dollar balances	—104.8	—278.0	—121.1	—174.5	*—80.8*
Other assets	—34.4	—129.4	—79.0	—20.7	*8.2*
Liabilities	19.2	—31.5	—8.3	48.2	*236.1*
Monetary gold	—2.9	—3.8	—4.4	11.9	*—2.2*

(7) PAKISTAN (Mn Rs.)

	1949	1950	1951	1952	1953 First half
A. Goods and services	—421.1	—72.5	553.8	—778.5	87.0
Exports, f.o.b.	840.3	1,226.4	2,653.4	1,671.7	703.6
Imports, c.i.f.[e]	—849.7	—874.6	—1,395.5	—1,696.5	—411.1
Balance of trade	—9.4	351.8	1,257.9	—24.8	292.5
Non-monetary gold movement (net)	..	..	..	..	..
Transportation and insurance[e]	—25.6	—84.9	—137.4	—188.1	—39.3
Other services (net)	—386.1	—339.4	—566.7	—565.6	—166.2
B. Private donations	—27.8	—26.6	—25.3	—25.0	—15.3
C. Private capital movements	8.4	—0.4	24.9	—37.8	—16.8
D. Net errors and omissions	—63.1	—11.2	2.2	—13.7	—1.8
E. Total (A through D)	—503.6	—110.7	555.6	—855.0	53.1
F. Official donations	—	—	—1.7	—	—
G. Official long-term capital	--	—139.2	—812.4	276.4	—1.1
Loans: drawings	—	—	—	—	—
Loans: repayments	—	—	—	—	—
Portfolio securities	—	—61.4	—493.4	276.4	—
Other	—	—77.8	—319.2	—	—1.1
H. Official short-term capital and monetary gold	503.6	249.9	258.7	578.6	—52.0
Sterling balances	522.5	208.2	—58.4	614.6	—65.3
Dollar balances		—8.9	2.8	1.3	4.4
Other assets		—5.4	7.6	24.2	16.6
Liabilities	—18.9	56.0	306.7	—24.4	—7.7
Monetary gold	—	—	—	—37.1	—

(8) PHILIPPINES (Mn P.)

	1949	1950	1951	1952	1953 First half
A. Goods and services	—574	24	—139	—71	*—15*
Exports, f.o.b.	522	674	819	705	*368*
Imports, c.i.f.[e]	—1,314	—755	—1,066	—960	..
Balance of trade	—792	—81	—247	—255	..
Non-monetary gold movement (net)	20	23	27	33	*17*
Transportation and insurance[e]	10	11	4	—4	..
Other services (net)	188	71	77	155	*83*
B. Private donations	31	22	16	30	*10*
C. Private capital movements	22	28	10	44	*28*
D. Net errors and omissions	—189	—184	—9	—33	*—60*
E. Total (A through D)	—720	—110	—122	—30	*—37*
F. Official donations	406	309	25	50	*28*
G. Official long-term capital	—9	68	—7	—16	*—13*
Loans: drawings	—	70	—	—	—
Loans: repayments	—1	—	—7	—19	*—13*
Portfolio securities	—2	4	6	3	—
Other	—6	—6	—6	—	—
H. Official short-term capital and monetary gold	323	—267	104	—4	*22*
Sterling balances	—	—	—	—	—
Dollar balances	361	—152	89	27	*14*
Other assets	—	—21	24	—22	*—1*
Liabilities	—38	—90	—2	—4	*9*
Monetary gold	—	—4	—7	—5	—

(9) THAILAND (Mn $)

	1949	1950	1951	1952	1953 First half
A. Goods and services	49.2	60.5	58.2	—17.8	—35.2
Exports, f.o.b.	273.9	305.8	373.2	322.5	167.4
Imports, c.i.f.	—193.3	—209.2	—272.3	—300.8	—173.2
Balance of trade	80.6	96.6	100.9	21.7	—5.8
Non-monetary gold movement (net)	—29.6	—29.6	—37.7	—29.4	—17.4
Transportation and insurance	—0.8	—0.4	—0.2	—3.1	—1.5
Other services (net)	—1.0	—6.1	—4.8	—7.0	—10.5
B. Private donations	6.7	..	3.3	0.2	—1.9
C. Private capital movements	..	..	..	..	..
D. Net errors and omissions	—1.9	16.5	23.1	8.5	24.8
E. Total (A through D)	40.6	77.0	84.6	—9.1	—12.3
F. Official donations	—3.2	—2.6	—1.7	—0.2	..
G. Official long-term capital	—17.8	—0.6	—65.7	52.3	4.7
Loans: drawings	—13.8	—	2.2	8.9	4.0
Loans: repayments	—0.6	—0.6	—1.3	—0.2	1.2
Portfolio securities	—	—	—66.4	43.6	1.9
Other	—3.4	—			
H. Official short-term capital and monetary gold	—19.8	—73.8	—17.2	—43.0	5.2
Sterling balances	—31.1	—55.2	20.4	35.2	33.8
Dollar balances	35.3	—21.8	—47.2	—80.2	18.4
Other assets	16.0	2.7	3.9	2.6	—10.2
Liabilities	—	—	—	—	—
Monetary gold	—40.0	—	5.7	—0.6	—

GENERAL NOTES: (1) No sign indicates credit; minus sign indicates debit. (2) Rate for dollar conversions: *Burma*, $0.2094 per Kyat; *Ceylon* and *India*, 1949 not available, 1950-53, $0.210 per rupee; *Indonesia*, 1949 not available, 1950-52, $0.263 per rupiah; *Pakistan.* 1949-53, $0.30225 per rupee.

a. India data include transactions with Nepal, Tibet, and French and Portuguese India to the extent that India provides foreign exchange for these countries. Transactions with Pakistan and Afghanistan are excluded for 1948-50 but are included for 1951 and 1952. Errors and omissions include repatriation of currency from Persian Gulf which in millions of rupees amounted to as follows: 1949, -28; 1950, -126; 1951, -193; 1952, -288; 1953 (first half) -107.

b. Includes non-monetary gold ($0.9 million).

c. Imports exclude U.N. special procurement goods which are included in "other services."

d. Indonesia: Private donations are included in "other services", since data on them are not available separately.

e. For Pakistan: Private imports are recorded on a mixed c.i.f. and f.o.b. basis; government imports are included in "other services". For Philippines: estimated.

E. MAJOR COMPONENTS OF GOVERNMENT EXPENDITURE

	Type of account	Total expenditure	Defence	Subsidies	Economic service	Social service	Contributions to provincial and local gov'ts.	Other current expenditure	Investment	Loans and advances (net)
BRITISH BORNEO (Mn M$)										
Brunei										
1949	A	4.2	—	—	0.2	0.3	—	2.2	1.5	..
1950	A	7.1	—	—	0.2	0.5	—	3.4	3.0	..
1951	RE	7.5	—	—	0.3	0.7	—	3.6	2.9	..
North Borneo										
1949	A	18.6	—	—	0.5	1.1	—	7.1	9.9	..
1950	A	18.1	—	—	0.8	1.2	—	6.4	9.7	..
1951	A	24.5	—	—	0.8	1.4	—	7.8	14.5	..
1952	RE	37.2	—	—	1.7	2.2	—	8.0	25.3	..
1953	DE	32.7	—	—	2.3	2.7	—	8.7	19.0	..
Sarawak										
1949	A	18.0	—	—	1.3	1.7	—	9.6	5.3	0.1
1950	A	20.9	0.1	—	1.7	2.0	—	8.8	8.1	0.2
1951	A	27.1	0.1	—	2.3	2.9	—	9.4	12.2	0.2
1952	RE	37.2	0.2	—	3.4	3.9	—	11.8	17.7	0.2
1953	E	56.8	0.2	—	3.9	4.5	—	13.7	33.4	1.1
BURMA (Mn K.)										
1948/49	A	401	101	—	26	20	17	176	74	—12
1949/50	A	420	118	—	25	22	15	184	46	10
1950/51	A	518	137	—	28	37	18	206	85	9
1951/52	DE	774	211	—	32	54	19	198	112	147
1952/53	RE	997	311	—	39	87	23	219	157	160
1953/54	DE	1,261	386	—	51	113	30	227	203	251
CAMBODIA (Mn Pr.)										
1952	DE	1,246	545	..	..	..	..	..	..	..
1953	DE	1,687	971	..	..	..	..	..	82	..
CEYLON (Mn Rs.)										
1948/49	A	638	3	54	79	173	..	169	159	
1949/50	A	674	4	36	77	186	..	187	185	
1950/51	A	838	7	132	87	209	33	186	185	
1951/52	A	1,100	13	239	106	241	37	206	249	
1952/53	E	1,047	19	161	119	235	31	197	282	
1953/54	DE	905	20	—	116	259	24	205	280	
CHINA (Central Government of the Republic of China, Mn NT$)										
1950	A	1,576	1,177	—	..	..	63	336	..	—
1951	A	2,159	1,185	77	..	..	120	771	..	6
1952	A	2,761	1,555	—	..	..	207	808	..	191
1953	DE	3,137	1,848	103	..	..	152	854	..	180
HONG KONG (Mn HK$)										
1949/50	A	174	4	—	9	18	—	110	32	—
1950/51	A	241	2	—	10	20	—	175	34	—
1951/52	A	269	2	—	13	26	—	185	42	—
1952/53	RE	321	34	—	17	38	—	160	71	2
1953/54	DE	332	28	—	21	39	—	155	87	2
INDIA (Mn Rs.)										
Central Government										
1948/49	A	4,976	1,755	316	172	194	30	1,271	952	287
1949/50	A	5,100	1,644	297	161	172	30	1,296	945	566
1950/51	A	5,546	1,782	351	201	157	156	1,303	1,020	576
1951/52	A	6,178	1,851	300	203	215	173	1,506	1,180	751
1952/53	RE	6,949	2,026	214	219	183	230	1,645	1,334	1,099
1953/54	DE	7,619	2,124	5	309	227	264	1,700	1,653	1,338
States										
1950/51	A	4,224	—	..	629	856	—156	1,937	1,289	—334
1951/52	A	4,425	—	..	636	935	—173	2,064	1,344	—382
1952/53	RE	4,818	—	..	802	1,065	—230	2,202	1,672	—693
1953/54	DE	4,830	—	..	927	1,081	—264	2,319	1,791	—1,025
JAPAN (1,000 Mn Y)										
1948/49	A	495	106	62	..	39	52	168	68	
1949/50	A	763	96	170	..	68	98	158	173	
1950/51	A	781	112	60	..	60	150	184	215	
1951/52	A	921	114	27	..	79	176	263	262	
1952/53	RE	1,129	180	38	..	115	219	254	323	
1953/54	RE	1,279	123	30	..	232	237	284	373	
KOREA (South) 1,000 Mn W)										
1949/50	A	83	33	5	13	10	5	12	4	..
1950/51	A	294	160	61	4	29	6	31	4	..
1951/52	A	587	311	4	23	49	40	158	4	..
1952/53	A	1,904	1,340	13	21	134	143	234	20	..
1953/54	DE	7,241	5,556	20	375	249	296	647	99	..

E. MAJOR COMPONENTS OF GOVERNMENT EXPENDITURE (*Cont'd*)

	Type of account	Total expenditure	Defence	Subsidies	Economic service	Social service	Contributions to provincial and local gov'ts.	Other current expenditure	Investment	Loans and advances (net)
LAOS (Mn Pr.)										
1951	RE	221	—	—	10	70	. .	74	63	5
1952	RE	274	—	26	12	78	. .	80	90	16
1953	DE	472	—	38	16	107	. .	51	156	25
MALAYA (Federal Govt.) (Mn M$)										
1950	A	273	8	—	13	18	79	124	31	—
1951	A	431	17	—	19	21	92	128	154	—
1952	E	649	161	—	26	30	150	178	104	—
1953	DE	757	196	—	26	35	168	192	140	—
NEPAL (Mn Rs.)										
1950/51	E	24.7	10.1	—	0.8	2.0	0.2	10.8	0.8	—
1951/52	E	52.5	12.8	2.0	2.0	3.0	0.4	25.3	5.5	1.5
1952/53	E	51.0	12.7	0.8	2.3	3.3	0.8	26.7	4.4	—
PAKISTAN (Mn Rs.)										
Central Government										
1948/49	A	1,058	641	—	15	5	10	170	73	145
1949/50	A	1,155	627	—	17	11	20	189	102	190
1950/51	A	1,146	674	—	22	11	10	232	84	113
1951/52	A	1,645	858	—	26	35	15	294	315	102
1952/53	RE	1,855	937	50	38	77	24	324	329	76
1953/54	DE	1,731	800	—	48	85	13	238	385	162
States										
1949/50	A	567	10	. .	81	98	—20	201	230	— 38
1950/51	A	547	10	. .	87	107	—10	275	180	—102
1951/52	A	701	13	. .	108	108	—15	301	256	— 70
1952/53	RE	599	—	. .	117	121	—24	235	359	—210
1953/54	DE	540	—	. .	142	138	—13	286	475	—487
PHILIPPINES (Mn P.)										
1948/49	A	467	86	. .	. .	146	32	99	104	. .
1949/50	A	534	102	. .	. .	175	37	125	96	. .
1950/51	A	523	125	. .	. .	174	29	102	92	. .
1951/52	A	623	182	. .	. .	176	37	103	125	. .
1952/53	E	714	170	. .	. .	207	49	85	203	. .
1953/54	DE	662	165	. .	. .	206	47	78	166	. .
SINGAPORE (Mn M$)										
1949	A	91	3	—	. .	. .	—	. .	8	. .
1950	A	95	3	—	3	17	—	58	14	. .
1951	A	125	4	—	4	30	—	74	14	. .
1952	RE	163	7	—	12	39	—	86	20	. .
1953	DE	207	16	—	19	55	—	86	32	. .
THAILAND (Mn Baht)										
1949	A	1,890	. .	. .	. .	. .	. .	. .	272	. .
1950	A	2,270	. .	. .	. .	. .	. .	. .	258	. .
1951	A	3,232	. .	. .	. .	. .	. .	. .	903	. .
1952	A	4,099	. .	. .	. .	. .	. .	. .	834	. .
1953	E	5,248	. .	. .	. .	. .	. .	. .	1,214	. .
VIET-NAM (Mn Pr.)										
1952	DE	3,602	2,459	. .	. .	. .	. .	. .	. .	. .
1953	DE	5,763	4,091	. .	. .	. .	. .	. .	. .	. .

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Pakistan: Central Government: *Budgets of the Central Government of Pakistan,* 1949/50 to 1953/54; *Demands for Grants,* 1950/51 to 1953/54. Information supplied by the Government and States: *Explanatory Memorandum on the Budget of the Central Government* for 1952/53 and 1953/54. Northwest Frontier Province: *Detailed Estimates for Demands for Grants,* 1950/51 to 1953/54. Government of the Punjab: *Budgets* for 1951/52 to 1953/54. Government of Bahawalpur: *Budgets* for 1951/52 to 1953/54. Sind: *Civil Budget Estimates* for 1953/54. East Bengal: *Explanatory Memorandum on the Budget* for 1952/53 and 1953/54.

Philippine: 1948/49: *Report by the Economic Survey Mission to the Philippines,* October 1950, 1949/50 and later; *Budgets* for 1952 to 1954.

Singapore: 1949 to 1952: *Singapore Annual Reports,* 1949 to 1952; 1953. *Estimates of the Revenue and Expenditure of the Colony of Singapore,* 1953.

Thailand: Ministry of Finance.

Viet-Nam: Information supplied by the Foreign Operations Administration.

F. MAJOR COMPONENTS OF TAX REVENUE

	Type of account	Total revenue	Tax revenue	Tax on income and wealth	Land tax	Customs duties			Transaction and consumption taxes	Licenses, stamp duties registration fees, etc.	Other tax revenue
						Total	Import duties	Export duties			
BRITISH BORNEO (Mn M$)											
Brunei											
1949	A	8.7	7.9	—	—	2.1	. .	. .	0.1	0.1	5.6
1950	A	17.3	16.1	—	—	2.7	. .	. .	0.1	0.1	13.2
1951	RE	69.4	67.2	40.0	—	2.8	2.3	0.5	0.1	0.1	24.2
North Borneo											
1949	A	11.1	7.4	. .	—	6.9	. .	. .	—	. .	0.5
1950	A	16.7	12.5	. .	—	11.1	7.1	4.0	—	. .	1.3
1951	A	25.0	20.2	. .	—	16.4	6.3	10.1	—	. .	3.8
1952	RE	21.3	15.5	2.5	—	11.9	3.9	8.0	—	0.9	—
1953	DE	21.4	15.6	2.3	—	12.0	3.6	8.4	—	1.0	—
Sarawak											
1949	A	14.7	10.7	—	—	9.7	. .	. .	. .	1.0	0.1
1950	A	30.1	24.5	0.1	—	22.6	13.9	8.7	0.3	1.3	0.1
1951	A	44.2	38.7	0.2	—	36.1	12.3	23.8	1.1	1.2	0.1
1952	RE	50.7	44.2	19.0	—	23.4	10.5	12.9	0.8	1.0	0.1
1953	E	34.5	29.4	9.0	—	18.4	11.2	7.2	0.8	1.1	0.1
BURMA (Mn K.)											
1948/49	A	406	331	44	6	97	85	12	20	7	157
1949/50	A	492	402	49	9	112	100	11	47	9	175
1950/51	A	553	493	45	14	172	158	13	64	10	188
1951/52	RE	629	553	45	22	192	180	12	64	11	219
1952/53	RE	794	718	51	22	193	180	13	87	10	358
1953/54	DE	877	797	55	25	210	195	15	89	10	407
CAMBODIA (Mn Pr.)											
1952	DE	1,042	957	89	36	626	. .	. .	119		87
1953	RE	1,290	1,094	89	50	709	. .	. .	159	—	87
CEYLON (Mn Rs.)											
1948/49	A	559	502	121	—	329	. .	. .	46	5	—
1949/50	A	603	538	133	—	356	188	167	44	6	—
1950/51	A	813	737	152	—	528	245	283	49	8	—
1951/52	A	847	770	223	—	487	260	227	50	10	—
1952/53	RE	806	728	242	—	419	246	173	56	11	—
1953/54	DE	838	724	217	—	429	260	169	66	11	—
CHINA (Central Government of the Republic of China, Mn NT$)											
1950	A	1,050	882	226	. .	. .	. .	. .	525	. .	131
1951	A	1,707	1,322	352	. .	. .	. .	. .	755	. .	215
1952	A	1,962	1,670	384	. .	. .	. .	. .	1,140	. .	146
1953	DE	2,289	1,889	229	. .	. .	. .	. .	1,487	. .	173
HONG KONG (Mn HK$)											
1949/50	A	255	161	58	—	—	—	—	69	. .	34
1950/51	A	281	185	76	—	—	—	—	72	. .	37
1951/52	A	292	208	82	—	—	—	—	78	. .	48
1952/53	RE	341	259	. .	—	—	—	—	74	. .	. .
1953/54	DE	327	246	134	—	—	—	—	68	. .	44
INDIA (Mn Rs.)											
Central Governments											
1948/49	A	4,315	3,203	1,400	2	1,262	982	265	521	19	—
1949/50	A	4,127	3,115	1,154	5	*1,249*	1,003	257	689	20	—
1950/51	A	5,041	3,590	1,257	20	1,572	1,077	474	716	26	—
1951/52	A	6,208	4,607	1,347	29	*2,317*	1,416	907	884	30	—
1952/53	RE	5,043	3,725	1,132	5	1,790	1,200	555	804	14	—
1953/54	DE	5,091	3,699	1,047	5	1,700	1,180	510	932	15	—
States											
1950/51	A	3,708	2,696	518	496	—	—	—	1,124	558	—
1951/52	A	3,982	2,799	570	480	—	—	—	1,142	607	—
1952/53	RE	4,258	3,073	604	624	—	—	—	1,215	630	—
1953/54	DE	4,293	3,189	579	690	—	—	—	1,246	673	—
JAPAN (1,000 Mn Y.)											
1948/49	A	499	424	222	—	—	—	—	95	5	102
1949/50	A	713	600	344	—	1	1	—	128	9	118
1950/51	A	658	569	313	—	2	2	—	131	9	114
1951/52	A	811	721	424	—	13	13	—	154	11	119
1952/53	RE	906	817	461	—	17	17	—	193	14	132
1953/54	RE	982	907	470	—	26	26	—	243	17	151
KOREA (South) (1,000 Mn W.)											
1949/50	A	32	23	. .	. .	. .	. .	. .	. .	. .	9
1950/51	A	91	59	. .	. .	. .	. .	. .	. .	. .	16
1951/52	A	627	498	. .	. .	. .	. .	. .	. .	. .	106
1952/53	A	1,818	1,321	. .	. .	. .	. .	. .	. .	. .	274
1953/54	DE	2,842	2,481	. .	. .	. .	. .	. .	. .	. .	400

F. MAJOR COMPONENTS OF TAX REVENUE (*Cont'd*)

	Type of account	Total revenue	Tax revenue	Tax on income and wealth	Land tax	Customs duties			Transaction and consumption taxes	Licenses, stamp duties registration fees, etc.	Other tax revenue
						Total	Import duties	Export duties			
LAOS (Mn Pr.)											
1951	RE	136	131	..	..	..	..	..	..	1	..
1952	RE	231	222	17	..	119	110	9	73	2	..
1953	RE	256	247	15	..	130	121	9	85	2	..
MALAYA (Federal Government) (Mn M$)											
1950	A	415	376	49	—	303	148	155	6	18	—
1951	A	732	682	130	—	517	218	229	10	26	—
1952	RE	699	651	212	—	404	213	190	8	27	—
1953	DE	579	526	153	—	339	206	134	8	27	—
NEPAL (Mn Rs.)											
1950/51	E	28.1	20.0	—	15.1	4.1	..	..	0.7	0.1	—
1951/52	E	29.5	17.7	—	9.4	7.3	..	..	0.9	0.1	—
1952/53	E	39.1	24.6	—	12.3	10.0	..	..	2.1	0.2	—
PAKISTAN (Mn Rs.)											
Central Government											
1948/49	A	685	536	66	2	329	..	..	91	48	..
1949/50	A	898	713	116	2	422	..	..	165	8	—
1950/51	A	1,289	1,102	134	2	787	..	..	163	11	5
1951/52	A	1,485	1,267	172	2	822	..	..	244	11	16
1952/53	RE	1,272	1,022	170	2	619			201	14	17
1953/54	DE	1,010	728	156	2	341			159	19	75
States											
1949/50	A	472	264	7	93	59	..	..	26	80	—
1950/51	A	544	312	8	94	79	..	..	67	65	—
1951/52	A	615	380	14	115	59	..	..	123	70	—
1952/53	RE	616	418	36	125	55	..	..	134	68	—
1953/54	DE	589	391	34	135	50	..	..	107	66	—
PHILIPPINES (Mn P.)											
1948/49	A	426	362	54	—	29	29	—	134	145	—
1949/50	A	381	329	61	—	26	26	—	120	123	—
1950/51	A	510	443	98	—	26	26	—	169	150	—
1951/52	A	740	655	123	—	32	32	—	313	187	—
1952/53	E	708	621	156	—	27	27	—	256	182	—
1953/54	DE	694	616	167	—	23	23	—	225	201	—
SINGAPORE (Mn M$)											
1949	A	109	86	33	—	—	—	—	47	6	..
1950	A	114	89	29	—	—	—	—	52	7	..
1951	A	175	135	55	—	—	—	—	69	12	..
1952	RE	200	164	77	—	—	—	—	75	12	..
1953	DE	198	159	67	—	—	—	—	80	11	..
THAILAND (Mn Baht)											
1949	A	1,920	..	112	—	594	454	140	..	94	..
1950	A	2,144	..	147	—	747	577	170	..	118	..
1951	A	2,519	..	170	—	977	726	251	..	148	..
1952	A	3,338	..	308	—	1,188	976	212	..	242	..
1953 (Jan-Jun at annual rate)	A	3,752	..	341	—	1,288	1,064	224	..	228	..
VIET-NAM (Mn Pr.)											
1952	DE	3,029	2,845	125	250	2,300	..	..	170	..	..
1953	DE	4,241	4,030	362	300	2,627	..	..	741	..	..

GENERAL NOTES: **For tables F and G:**

A=Accounts, E=Estimates, DE=Draft estimates, RE=Revised estimates, PA=Provisional accounts.

Figures generally relate to central government transactions only. For India and Pakistan, the transactions of the state governments are also given. To avoid duplication, transfers (interest payments, contributions and loans) from and to the central government are excluded from the state transactions.

In general, only the net results of public enterprises and fiscal monopolies are included: positive balances are shown under revenue and negative balances under expenditure. Currency and mint transactions are excluded. Expenditure includes interest payments before deduction of interest charges to public enterprises and entities; revenue correspondingly includes receipts from these charges.

Revenue

Total revenue excludes proceeds from loans, other forms of borrowing and transfers from reserve funds.

Customs duties: divergence between the total under this heading and the sum of the sub-items, import duties and export duties, is due mainly to the inclusion or exclusion arising from land customs, customs on postal parcels, special taxes and refunds.

Transactions and consumption taxes: excise duties, turnover taxes, sales taxes and entertainment duties.

Expenditure

Total expenditure includes current as well as capital outlays and loans and advances (net) granted by the government but it excludes debt redemption, contributions to sinking funds and transfers to reserve funds.

Defence: Expenditure of the military departments plus capital outlay for defence purposes. Expenditure on military pensions is included in "other current expenditure".

Economic services: only the current expenditure on agriculture, industrial development, scientific and technical research, irrigation, forests, ports, lighthouses, commerce, planning, etc.

Social services: education, health, social welfare, relief, etc.

Contribution to provincial and local governments; only the contributions towards meeting current expenditures.

Investment: in general, public works expenditures on gross basis (i.e., including maintenance), capital outlays of government enterprises and departments and grants to provinces and local authorities for the same purpose.

Loans and advances (net): mainly granted to provinces, local authorities and public and private undertakings for capital outlay.

COUNTRY NOTES: for tables E and F.

British Borneo:

Brunei: Investment expenditure: public works expenditure.

Revenue: Other tax revenue: mining rent and oil royalties.

North Borneo: Expenditure: includes reconstruction and development expenditure; investment expenditure: public works and expenditure on reconstruction and development.

Revenue: Taxes on income and wealth: include estate duties, income tax, poll tax and residence tax; revenue: excludes grants-in-aid and colonial development and welfare grants from the United Kingdom Government.

Sarawak: Expenditure: includes net expenditure from reconstruction and development fund; investment: public works, war damage compensation and reconstruction and development.

Other tax revenue: includes lotteries tax, head tax, etc.

Burma:

Expenditure: 1848/49: includes Rs. 13.9 million contribution towards financing the deficit of the Shan State. 1949/50 and 1950/51: includes the net results of railways, civil supplies and electricity. From 1951/52 onwards the are omitted following the creation of separate boards. 1951/52 and 1952/53: exclude Rs. 80 million and Rs. 68.3 million respectively for subscription to the International Bank and Fund. 1952/53 and 1953/54: exclude Rs. 20 million and Rs. 10 million respectively for payments under ECA Agreement.

Loans and advances: 1951/52 and later: include loans and advances to the Railway and Electricity Boards for meeting deficits and capital outlays. Losses on the operation of these enterprises were in previous years included in current expenditure and their capital outlays in investment.

Revenue: 1948/49 to 1950/51: include the rehabilitation contribution of the Marketing Boards to the National Development Fund. 1951/52: includes proceeds from the sale of civil supplies stocks. 1952/53 and 1953/54: include contributions from the Marketing Boards for capital outlay.

Transaction and consumption taxes: excise duties plus "commercial taxes"; the latter include entertainment tax, hotel and restaurant tax, business premises tax and sales tax, Licenses, stamp duties, etc.: include betting and motor vehicle taxes. Other tax receipts: net receipts from lottery, the rehabilitation contribution, and the contribution to the National Development Fund (1948/49 to 1950/51) and for capital outlay (1952/53 and later) from the State Agricultural Marketing and State Timber Boards.

Cambodia:

Defence expenditure includes contributions by France.

Revenue excludes contributions and reimbursements. Customs duties include state monopolies.

Ceylon:

Transactions include net results of railway and electricity departments.

Expenditure: includes loan fund expenditure. Defence: excludes capital outlay met from loan fund expenditure. Subsidies: food subsidies. Investment: public works outlay and loan fund expenditure; the latter includes capital outlay on defence.

Revenue: includes interest received on war loan to the United Kingdom.

China: (Central Government of the Republic of China)

Expenditure: includes debt retirement which cannot be separated from interest payments. Subsidies: support to sugar farmers. Other current expenditure: includes direct capital outlay; includes also debt repayment. Loans and advances: include grants for capital outlay.

Revenue: includes forced loans procured from government enterprises, private corporations and individuals.

Taxes on income and wealth: include death and gift taxes, capital levies including forced loans from government enterprises, private corporations and individuals, but excludes property taxes. Transaction and consumption taxes: also include customs duties. Other taxes: also include property taxes.

Hong Kong:

Expenditure: includes debt redemptions 1949/50 and 1950/51: expenditure from rehabilitation loan not available. 1951/52 and later: include expenditure from rehabilitation loan and development fund.

Investment: public works, colonial development and welfare schemes and expenditure from rehabilitation loan and development fund. Loans and advances: housing loans from development fund.

Revenue: Customs: there is no general customs tariff in Hong Kong, import duties being confined to liquor, tobacco, hydrocarbon oils, toilet articles, proprietary medicines and table waters. Taxes on income and wealth: taxes on assessed rateable values and earnings and profits tax. Other tax revenue: internal revenue consisting of taxes on betting, business registration, dance halls, entertainments, estate, restaurant meals and liquors and stamp duties.

India:

Central Government: Transactions of state trading schemes are excluded.

Expenditure: includes that from railway, postal and special development funds; excludes state trading schemes. 1948/49: excludes lump sum payment to the United Kingdom Government for the purchase of sterling annuities to meet the sterling liabilities in respect of pensions (Rs. 2,240 million) and for the purchase of surplus war material (Rs. 1,333.3 million); excludes also the purchase of the shares of the Reserve Bank of India (Rs. 59.3 million). 1948/49 and later: exclude credits corresponding to the pension liabilities paid in lump sum in 1948/49, and receipts from the sale of war surplus stores purchased from the United Kingdom Government in the same year. 1949/50: excludes additional subscription to the Bank and Fund on the devaluation of the Indian rupes (Rs. 791.2 million). 1950/51: excludes transfer to the contingency fund (Rs. 150 million) and payment to Pakistan for its share of the payments to the Bank and Fund (Rs. 26.2 million).

Central Government: defence: 1948/49: excludes lump sum payment (Rs. 1,333.3 million) for the purchase of surplus war material, 1948 and later: exclude receipts from the sale of these stores, Subsidies: losses on imported and locally procured foodgrains. 1951/52: approximate figure.

States: Contribution to provincial and local governments: data from Central Government budgets. Investment: gross investment less grants from the Central Government for development. Loans and advances: to municipalities and local boards less loans from the Central Government. The latter figures from the financial accounts of States do not reconcile with figures from central budgets.

Revenue: includes the provision for depreciation, etc. of public enterprises. 1953/54: excludes Rs. 180 million as part of the pre-Partition debt to be repaid by Pakistan to India.

Central Government: taxes on income and wealth: exclude share of income taxes payable to the states. Customs: exclude customs revenue assigned to the states. Transactions and consumption taxes: include net revenue from opium monopoly.

States: Taxes on income and wealth: include agricultural income taxes. Transactions and consumption taxes include excise taxes transferred from the central excise revenue.

Japan:

Data relate to the General Fund but include net deficits or net surpluses of the Special Accounts and government enterprises transferred from or to the General Fund. Profits derived from commercial operations or from lending to private concerns, which were not transferred to the General Fund, were excluded from revenue; to the extent of this exclusion, therefore, revenue is understimated. Total expenditure: expenditure from General Account, U.S. Aid Counterpart Fund, Trust Fund Bureau, Industrial Investment Special Account, and subscription to local government loans from the Postal Insurance Fund. Expenditure for the purchase of foreign exchange amounting to Y35.0 billion for 1952/53 and Y80.0 billion for 1951/52 is excluded.

1951/52: General Account (750,000 million yen) + Trust Fund Bureau (129,000 million yen) + Counterpart Fund (122,000 million yen) — Foreign Exchange Special Account (80,000 million yen) = 921,000 million yen.

1952/53: General Account (932,000 million yen) + Trust Fund Bureau (173,000 million yen) + Counterpart Fund (59,000 million yen) — Foreign Exchange Special Account (35,000 million yen) = 1,129,000 million yen.

1953/54: General Account (1,027,000 million yen) + Postal Insurance (19,000 million yen) + Trust Fund Bureau (172,000 million yen) + Counterpart Fund and Industrial Investment Special Account (61,000 million yen) = 1,279,000 million yen.

Defence expenditure: 1948/49 to 1950/51: reparation and occupation costs.

1951/52: Occupation cost (93,000 million yen) + National Reserve Police (21,000 million yen); total 114,000 million yen.

1952/53: Defence expenditure (65,000 million yen) + Security expenditure (56,000 million yen) + National Safety Agency (59,000 million yen); total 180,000 million yen.

1953/54: Defence expenditure (62,000 million yen) + National Safety Agency (61,000 million yen) = Total (123,000 million yen).

Subsidies: price stabilization subsidies (for 1951/52 including subsidies for iron and steel and fertilizers).

Social Services: Facilities for education, expenditure for housing, social relief expenditure, social insurance, tuberculosis expenditure, unemployment expenditure, relief for war widows, pension for soldiers, expenditure for government schools, etc.
Loans, advances and investment: 1951/52 to 1953/54 include government outlays and grants and loans to government-owned enterprises, private industries and agriculture for expansion of production financed by taxes as well as by borrowing from trust insurance funds and loans, but exclude subscription to local bonds. Figures for investment are generally on a net basis but in some cases they include expenditure on repair and maintenance of government property.

Revenue: Excludes carry-over from the preceding year Taxes on income and wealth; taxes on income, corporation, extraordinary profits, inheritance, capital and revaluation of assets. **Customs:** customs and tonnage duties.

Transaction and consumption taxes: taxes on liquor, sugar, gasoline, commodities, securities and transportation. **Other tax revenue:** monopoly profits.

Korea (South):

Subsidies: expenditures described as "subsidy to special account." Investment: public works only.

Other tax revenue: monopoly profits.

Laos

Expenditure excludes military expenditure. Investment: public works only.

Revenue excludes contributions and reimbursements. Customs exclude excise taxes on imported products. Licenses, stamp duties, etc.: only registration fees.

Malaya (Federal Government only)

Expenditure includes the allocations made from federal revenues to the States and settlements to meet estimated deficits and other unforeseen expenditure.

Defence expenditure: excludes expenditure financed directly by the United Kingdom but includes emergency and resettlement expenditure.

Nepal:

Revenue: excludes Rs. 1 million annual grant from the Government of India.

Transaction and consumption taxes: excise and entertainment taxes. Licenses, stamp duties, etc.: registration fees only.

Pakistan:

Central Government: 1953/54 figures based on revised data supplied by Government of Pakistan and reclassified by ECAFE Secretariat. Transaction of state trading schemes excluded. State trading operations resulted in a surplus of 67.1 million rupees in 1951/52; in a deficit of 176.5 million rupees in 1952/53 and again in a surplus of 240.4 million rupees in 1953/54. Expenditure: includes that from railway, postal, development and other funds, excludes lump sum payment (Rs. 109.1 million) in 1948/49, and corresponding credits in that year and later for the purchase of sterling annuities to pay pensions; excludes currency capital outlays. 1948/49 and 1949/50: capital outlays and loans and advances are revised estimates. 1953/54: excludes Rs. 50 million provision for the payment of part of the pre-Partition debt to India.

1948/49 and 1949/50: revenue account expenditure, actuals; capital outlays on defence investment and net loans and advances, revised estimates.

States: Defence: expenditure of Bahawalpur only. From 1952/53 Bahawalpur contingents were integrated in the Pakistan army. Loans and advances: to municipalities and other bodies less loans from the Central Government. The latter figures taken from provincial budgets do not reconcile with those in the central budgets.

Revenue: Central Government: Receipts from the sales of foreign aid supplies are excluded. Includes the provision for depreciation etc. of public enterprises. 1952/53 and 1953/54; includes excise duties transferred to provinces and states.

Other taxes: taxes and duties levied under the Supplementary Finance Act of 1950. 1953/54: includes the net result of tax proposals in the Budget.

States: Land taxes: includes also the tax levied for irrigation services in the Punjab. Customs: 1949/50 and 1950/51: include the share of East Bengal in export duty on jute levied by the Central Government. Transaction and consumption: mostly excise and sales taxes. Licenses, stamp duties, etc.: include also the entertainment and motor vehicle taxes.

Philippines:

Transactions include apportionment to local governments. 1948/49: consolidation of general, special and bond funds. 1949/50 and later general and special funds. Public enterprises are excluded

Expenditure on economic services: included in investment expenditure. Investment: includes current expenditures on economic services, excludes capital outlay of public enterprises.

Total tax revenue: includes revenue apportionment to local governments. Taxes on income and wealth: franchise, income, residence, immigrants, estates and inheritance and war profits taxes. Transaction and consumption taxes: gasoline taxes credited to National Highways Fund and excise taxes. Licenses, stamp duties, etc.: Motor vehicles taxes credited to the Motor Vehicles Fund, licence fees for business and occupations, documents stamp tax, tonnage dues and forest products taxes.

Singapore

Expenditure: 1949 to 1952: includes expenditure from the 3 per cent 1946 Rehabilitation Loan. Investment expenditure on public loans, colonial development and welfare schemes and from 3 per cent 1946 Rehabilitation Loan.

Taxes on income and wealth: income and estate taxes. Transaction and consumption taxes; entertainment, liquor, petroleum and tobacco taxes. Licences, stamp duties, etc.; stamp duties, betting, totalisator and miscellaneous taxes.

Thailand:

Figures are original data as supplied by Ministry of Finance without attempt at reclassification.

Revenue: Taxes on income and wealth: include also motor vehicle taxes.

Viet-Nam:

Defence expenditure includes contributions by France.

Revenue excludes contributions and reimbursements. Customs duties include excise revenue and revenue from fiscal monopolies.

PRODUCTION

1. INDEX NUMBERS OF PRODUCTION

1948 = 100

	1949	1950	1951	1952	1952		1953					
					III	IV	I	II	III	Jul	Aug	Sep
CHINA (Taiwan only) (1951=100)[a]												
Industrial production	108	110	100	124	..	..	133	144	148	144	149	153
Public utilities	..	..	100	105	..	..	108	109	110	109	112	109
Electricity	66	81	100	110	..	..	118	118	119	116	122	119
Mining and Quarrying	..	..	100	128	..	..	126	108	97	95	101	95
Coal	174	108	100	138	..	..	145	152	130	134	122	135
Manufacturing	..	..	100	126	..	..	137	151	156	151	157	162
Food	144	147	100	120	..	..	70	129	137	96	168	147
Textiles	48	64	100	167	..	..	208	224	224	221	214	237
Chemicals	60	70	100	109	..	..	97	107	134	141	123	137
INDIA[b]												
Manufacturing and mining	98	97	108	119	118	123	122	124	124	125	121	127
Mining (coal)	106	107	115	122	114	121	126	126	113	109	108	121
Chemicals and allied trades	114	129	145	204	210	257	258	233	259	253	259	265
Metal manufactures (other than machinery)	108	114	119	121	116	164	120	101	100	101	95	104
Engineering and electrical goods	121	146	188	170	166	164	165	188	204	202	198	211
Textiles	90	82	90	100	103	102	101	104	104	107	102	104
Cotton textiles	91	84	93	104	110	110	109	112	113	115	112	113
Jute	85	77	80	87	83	83	80	81	80	85	73	82
Paper	105	111	135	140	144	143	139	136	154	159	149	153
Manufacture of non-metallic mining products (other than coal and petroleum)	107	149	171	173	143	203	247	205	193	158	180	243
Manufactures of wood (plywood)	89	93	132	168	151	149	139	111	96	102	100	84
Food (sugar)	93	91	104	139	370	111	112	333	10	—	—	10
JAPAN												
Industrial production	124	142	193	213	218	221	225	250	253	250	251	259
Public utilities	113	122	134	146	119	149	151	156	159	163	157	157
Manufacturing and mining	130	153	210	232	237	240	244	272	276	271	273	282
Mining	115	121	138	142	149	108	167	156	138	146	132	137
Manufactures	131	156	219	244	249	261	254	289	297	291	295	305
Non-durable	134	190	254	298	313	325	320	363	373	370	371	377
Textiles	128	186	261	298	318	310	292	330	368	366	356	382
Chemicals	140	203	277	332	341	371	374	435	411	404	414	414
Durable	134	147	220	230	224	239	229	260	268	257	266	282
Metals	176	242	360	386	372	400	395	458	472	456	480	479
Machinery & transport equipment	124	117	184	191	187	197	184	208	221	206	214	243
PHILIPPINES (First quarter 1952=100)												
Manufactures	..	..	..	..	110	104	*112*	*112*	..	..	..	..
Non-durable manufactures	..	..	..	..	106	102	*114*	*115*	..	..	..	..
Tobacco products	..	..	..	..	91	94	97	110	..	..	..	..
Textiles	..	..	..	..	155	140	134	128	..	..	..	..
Footwear and wearing apparel	..	..	..	..	115	107	118	116	..	..	..	..
Chemicals	..	..	..	..	119	102	80	93	..	..	..	..
Durable manufactures	..	..	..	..	115	105	*110*	*110*	..	..	..	..
Stone, clay and glass products (including cement)	..	..	..	..	92	92	91	91	..	..	..	..
Metal products	..	..	..	..	127	115	178	166	..	..	..	..
Electrical appliances	..	..	..	..	143	124	100	104	..	..	..	..

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[a] From 1951 onward figures relate to a recently constructed index covering output of 112 commodities. The index is compiled using Laspeyres' formula, based on 1951 prices. Figures for 1949 and 1950 relate to the old official index (original base 1948=100) covering output of 58 commodities by public enterprises only. Sugar production is excluded from the monthly index but included in the annual index.

[b] Group indices compiled by the ECAFE Secretariat on basis of the Interim Index (base 1946=100) of Production published by the Ministry of Commerce and Industry, Calcutta.

The following series have been used for the compilation of the index for individual industries:

I. Mining: coal.
II. Chemicals and allied trades: (1) Paints and varnishes, (2) Matches, and (3) Chemicals.
III. Metal manufacturers (other than machinery): (1) Non-ferrous metals and (2) Steel.
IV. Engineering and electrical goods: (1) Bicycles, (2) Sewing machines, (3) Electric lamps, (4) Electric fans, (5) General engineering and electrical engineering, and (6) Electric motors.
V. Textiles: (1) Cotton textiles, (2) Woolen manufactures, and (3) Jute.
VI. Paper: Paper and paper board.
VII. Manufacture of non-metallic mining products (other than coal and petroleum): (1) Cement, (2) Glass and (3) Refractories.
VIII. Manufacture of wood: plywood.
IX. Food: sugar.

2. PRODUCTION OF SELECTED COMMODITIES

Monthly averages or calendar months

Thousand tons

	1938[p]	1948	1950	1951	1952	1952		1953					
						III	IV	I	II	III	Jul	Aug	Sep
COAL													
China (Taiwan only)	183	136	117	133	190	204	210	200	210	180	185	168	186
India	2,400[q]	2,551	2,735	2,905	3,067	2,864	3,077	3,132	3,167	2,869	2,797	2,791	3,020
Indonesia	121	45	67	72	80	86	77	78	71	..	73	..	..
Japan	3,484	2,810	3,205	3,610	3,613	3,772	2,436	4,436	4,026	3,365	3,625	3,189	3,281
Korea (South)	19	67	53	14	48	49	68	62	70	76	64	81	82
Malaya[a]	40	32	35	32	27	31	24	26	27	24	27	23	21
Pakistan[a]	..	20	37	43	50	40	55	63	48	33	32	31	37
Viet-Nam	195	30	42	53	71	57	86	61	65	59	58	55	63
ELECTRICITY (Mn kwh)													
Cambodia	1	1	1	1	2	2	2	..	..	..	..	..	..
Ceylon	3	5	7	9	10	9	11	11	12	*12*	*12*	*12*	*12*
China (Taiwan only)	..	70	87	107	115	119	125	126	126	128	125	130	128
Hong Kong	..	13	24	29	33	34	33	33	36	38	39	39	38
India	211[qr]	381	425	489	516	532	543	524	547	575	580	578	566
Japan	2,004	2,644	3,236	3,426	3,668	3,724	3,717	3,554	3,653	4,075	4,198	4,029	3,998
Korea (South)	..	41	34	26	53	55	62	56	62	66	65	67	65
Malaya	36	..	66	76	80	80	82	78	87	88	89	88	88
Pakistan	..	11	15	19	25	25	31	29	34	..	..	..	..
Philippines (Manila)	12	30	38	41	46	48	50	49	51	54	54	54	54
Thailand[b] (Bangkok)	3‡	4	4	5	5	5	5	6	7	8	7	8	8
Viet-Nam	8	8	14	16	19	19	20	23	24	26	26	26	26
PETROLEUM, CRUDE													
Brunei	59	224	343	415	423	427	416	402	..	..	..	..	..
Indonesia	616	361	534	620	710	724	790	790	854	..	862	..	..
Japan	30	14	25	28	26	26	26	25	24	27	27	27	27
Pakistan	..	5	12	13	15	15	16	16	16	15	18	13	13
Sarawak	17	4	5	4	4	4	4	4	..	..	..	..	..
IRON ORE													
Hong Kong	—	—	14	14	11	7	12	14	10	12	11	13	12
India	232	193	250	310	..	..	..	333	309	274	286	226	311
Japan	52	47	69	76	86	103	90	81	78	108	109	106	109
Malaya	137	—	42	72				57	119	124	152	114	105
Philippines	77	1	50	75	97	96	87	95	108	114	112	114	117
TIN IN CONCENTRATES (tons)													
Burma	419	97	129	138	*80*	*80*	*80*	*80*	*80*	*80*	*80*	*80*	*80*
China	906	406	*300*	*400*	*450*	*450*	*450*	*525*	*522*	*525*	*525*	*525*	*525*
Indonesia	2,517	2,588	2,718	2,623	2,964	3,310	3,163	2,380	2,903	3,091	3,292	2,992	2,990
Japan	..	10	28	37	54	57	63	59	63	66	71	68	60
Laos & Viet-Nam	135	3	5	8	*13*	*13*	*13*	*10*	*10*	*10*	*10*	*10*	*10*
Malaya	3,673	3,795	4,872	4,840	4,812	4,773	4,926	4,758	4,567	4,701	4,782	4,578	4,744
Thailand	1,255	359	878	805	802	792	931	900	853	779	780	685	871
TIN METAL (tons)													
Malaya	5,456	4,209	5,821	5,581	5,320	5,824	5,240	5,836	4,706	5,481	6,001	5,858	4,584
NATURAL RUBBER[c]													
British Borneo[d]	2.4	5.2	7.0	5.6	4.5	3.9	4.5	4.4	3.8	3.7	3.9	3.8	3.3
Burma	*0.8*	*1.0*	*0.8*	*0.8*	*0.9*	*0.2*	*0.7*	*1.6*	*1.1*	..	*0.1*	—	..
Cambodia	1.4	1.4	1.2	1.3	1.5	1.7	2.2	1.2	1.7	2.0	2.0	2.0	2.0
Ceylon	4.3	8.0	9.6	8.9	8.2	8.5	10.3	7.1	7.5	8.3	6.6	9.7	8.6
India	1.3	1.3	1.3	1.5	1.7	1.8	2.3	1.2	1.8	1.7	0.9	1.9	2.4
Indonesia	27.0	36.6	59.0	68.2	63.1	60.2	69.3	56.5	58.7	61.9	66.3	59.6	59.9
Malaya	30.4	59.1	58.8	51.3	49.4	50.5	52.8	48.0	45.1	50.6	51.6	52.0	48.2
Thailand[e]	7.7	8.1	9.5	9.2	8.3	8.6	8.2	10.0	6.4	8.1	10.1	5.9	8.2
Viet-Nam	3.6	2.3	2.7	3.1	3.4	4.1	4.8	2.8	3.4	4.5	4.6	4.7	4.1
COTTON YARN													
China (Taiwan only)	..	—	0.3	0.6	1.1	1.3	1.4	1.4	1.7	1.6	1.5	1.6	1.6
Hong Kong	..	..	2.0	2.4	2.5	2.5	2.4	2.3	2.6	2.8	2.8	2.9	2.9
India	49.3	55.0	43.7	49.0	54.7	57.8	58.0	55.2	56.1	59.3	60.3	59.0	58.5
Japan	54.5	10.4	19.9	28.1	29.4	29.3	30.6	28.3	32.1	37.4	37.2	36.0	39.1
Korea (South)	..	0.5	0.8	0.5	0.8	0.9	1.0	0.9	1.3	1.2	1.2	1.2	1.2
COTTON FABRICS (Mn metres)													
Ceylon (Mn sq. metres)	0.6	0.5	0.5	0.6	0.7	0.8	0.7	0.7	0.7	..	0.6	0.5	..
China (Taiwan only)	..	1.0	3.0	4.3	6.8	7.0	7.5	10.9	10.0	10.6	10.5	9.8	11.4
India	325	337	275	319	351	374	370	364	383	385	398	385	372
Japan (Mn sq. metres)	243.6	64.4	107.4	151.8	156.0	156.0	153.2	167.0	202.2	201.8	199.8	196.2	209.6
Korea (South)	..	2.1	4.1	2.5	5.0	5.1	8.8	5.6	6.7	9.3	10.0	8.4	9.7
Pakistan	..	6.7	8.1	9.7	13.3	13.9	14.7	12.4	17.3	..	..	..	..
Philippines	..	0.6	0.7	0.8	0.5	0.5	0.4	0.6	0.4	1.3	1.1	1.4	1.3
CEMENT													
China (Taiwan only)	..	19.6	27.7	32.4	37.1	40.1	40.8	41.9	43.4	43.7	43.1	44.2	43.8
Hong Kong	..	4.4	5.7	6.0	5.8	5.3	4.6	4.8	4.7	5.5	6.5	6.4	3.6
India	119.0	131.0	221.0	271.0	300.0	318.0	311.0	290.1	313.9	326.0	349.9	312.1	315.9
Japan	473.6	154.9	371.9	545.6	593.1	593.1	640.2	551.6	768.9	776.9	743.6	816.6	770.4
Korea (South)	..	1.9	0.8	0.5	1.9	1.4	3.8	1.0	5.6	4.1	2.3	5.4	4.6
Pakistan	..	27.4	35.1	42.3	44.9	40.0	48.1	52.5	54.5	45.4	41.4	37.2	56.9
Philippines[e]	13.9	10.0	24.9	26.3	26.4	25.2	23.7	25.0	24.4	25.3	26.0	24.1	25.7
Thailand	9.7‡	6.9	13.8	19.0	20.6	19.7	20.8	22.9	22.1	22.1	19.3	20.3	26.7
Viet-Nam	22.2	8.1	12.0	17.7	18.4	16.7	21.0	24.2	21.9	24.8	26.7	23.4	24.3

a. Malaya: lignite only. Pakistan: including lignite.
b. Relates only to the consumption of electricity generated by the Bangkok Electric Works.
c. Including latex.
d. Net exports.
e. Production of Cebu Portland Cement Company only.
p. 1936 for Japan, unless otherwise indicated.
q. Former British provinces and Indian States.
r. 1939.

3. VOLUME OF TRAFFIC: RAILWAYS, SEA-BORNE SHIPPING AND CIVIL AVIATION

Monthly averages or calendar months

	1938[p]	1948	1950	1951	1952	1952		1953					
						III	IV	I	II	III	Jul	Aug	Sep
RAILWAYS[a]													
Passenger-kilometres (Mn)													
Burma	59	40†	14†	28†	34†	33	40	46	57	50	52	49	49
China (Taiwan only)	69	166	176	166	146	139	153	152	154	157	160	152	159
Cambodia & Viet-Nam	74	8	6	9	10	11	8	10	12	15	15	16	14
India‡	2,385	4,925	5,396	5,078	4,723	4,320	4,306	..	..	..	..	..	..
Japan‡	2,185	6,595	5,750	6,421	6,707	6,784	6,693	6,436	7,053	6,936	6,590	7,553	6,664
Korea (South)	..	236	95	125	219	256	223	171	228	280	255	267	317
Pakistan‡	—	656	761	827	790	842	766	732	724	..	747	732	..
Philippinesø	40	24	30	32	31	26	29	34	43	29	34	26	26
Thailand	25	109	120	152	188	167	171	222	207	166	168	165	164
Freight ton-kilometres (Mn)													
Burma	95	52†	7†	17†	24†	22	28	36	41	39	44	40	33
China (Taiwan only)	..	52	74	78	96	95	93	98	123	110	111	112	106
Cambodia & Viet-Nam	28	7	11	16	15	16	15	19	20	17	17	18	17
India‡	2,968	3,040	3,638	3,807	3,866	3,847	3,743	..	..	..	..	..	..
Japan‡	1,305	2,109	2,560	3,074	3,227	3,196	3,337	3,106	3,290	3,143	2,954	3,246	3,230
Korea (South)	..	87	86	229	256	243	260	267	272	250	257	231	262
Malaya	22	26	33	33	31	33	31	32	31	31	32	31	31
Pakistan‡	—	319	370	418	447	361	500	546	514	..	433	410	..
Philippinesø	14	10	13	12	11	10	10	14	12	11	10	11	11
Thailand	38	25	40	45	46	45	50	59	53	53	54	53	52
Freight tons (1000)													
Ceylon	7	102	108	128	137	135	124	136	135	141	139	138	147
Hong Kong	40	8	29	23	23	23	27	27	22	15	18	13	14
Indonesia	810	292	449	497	457	482	470	480	455	..	551	537	..
INTERNATIONAL SEA-BORNE SHIPPING													
Freight Loaded (L) and Unloaded (U) in External Trade (1000 tons)													
Ceylon (Colombo) L	**54**	63	61	60	67	70	68	73	65	79	85	68	83
U	**109**	141	162	178	174	185	156	206	197	183	181	127	240
China (Taiwan only) L	..	13	72	48	78	59	72	123	135	106	120	135	62
U	..	22	80	79	117	103	119	93	121	107	121	107	92
Hong Kong L	..	104	212	162	128	125	132	137	130	110	130	101	98
U	..	236	361	312	284	261	299	300	261	276	277	254	296
Indonesia[b] L	916	432	704	749	820	890	1,028	775	1,076	1,098	1,161	796	1,336
U	167	160	233	212	367	482	603	279	371	386	429	337	393
Japan L	1,092	165	299	309	414	514	402	369	468	430	397	441	383
U	2,771	563	971	1,760	1,978	2,120	2,007	2,308	2,587	2,579	2,426	2,765	2,545
Malaya[q] (Singapore) L	..	121	197	217	198	193	211	395	409	432	481	413	403
U	..	163	329	410	401	370	409	640	656	743	721	800	709
Pakistan‡ L	—	..	130	154	144	95	180	182	145	133	140	117	142
U	—	..	310	335	375	353	422	351	276	303	328	300	280
Philippines L	257	50[f]	26[f]	260	368	346	343	339	320	..	..	..	..
U	194	193[f]	156[f]	220	215	254	208	221	195	..	..	..	..
Viet-Nam (Saigon) L	142	46	46	70	62	50	62	60	62	64	58	72	62
U	43	54	74	92	122	117	120	134	144	114	120	123	100
Thailand L	..	..	150	165	149	151	129	129	151	..	127	..	..
U	..	..	69	75	94	93	108	102	106	..	103	..	..
Entrances (E) and Clearances (C) of Vessels with Cargo in External Trade (1000 net registered tons)													
Burma[d] E	311	118	86	106	98	108	118	88	88	..	115	127	..
C	361	157	106	138	132	140	153	148	150	..	128	146	..
India E	760	646*	670	779	773	749	630	726	804	724	793	709	670
C	793	567*	607	652	739	740	878	836	904	870	900	840	870
CIVIL AVIATION[e]													
Passenger-kilometres (Mn)													
Ceylon	—	0.36	0.82	2.76	2.47	2.80	2.38	3.15	3.94	..	..	..	..
China (Taiwan only)	..	..	0.82	1.61	2.49	2.15	3.88	3.07	3.49	..	..	..	..
India	0.11	23.65	31.30	34.49	31.93	28.92	36.43	35.96	31.69	28.68	28.95	27.75	29.34
Indonesia	..	8.49	12.35	13.30	13.28	13 87	13.17	13.57	14.57	14.43	14.00	13.70	15.60
Philippines	0.21	14.57	15.62	17.47	17.78	19.15	17.60	16.36	21.77	20.12	19.62	19.64	21.08
Thailand	—	0.93	1.62	2.01	2,26	2.08	1.98	2.11	2.64	2.45	2.84	1.84	2.66
Freight ton-kilometres (1000)													
Ceylon	—	2	10	197	159	177	172	158	163	..	..	..	..
China (Taiwan only)	..	..	121	217	260	301	339	263	321	..	..	..	..
India	34	475	1,868	2,204	2,154	2,021	2,550	2,275	1,958	1,619	1,475	1,606	1,776
Indonesia	..	389	534	595	595	582	611	603	617	621	667	618	579
Philippines	..	540	637	793	809	749	960	857	690	734	766	715	720
Thailand	1	17	43	59	85	82	112	139	131	128	115	137	133

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a. Railway traffic coverage:—India and Pakistan: class I railways, broad and metre gauge only; Indonesia: Postwar data relate to Federal area only; Japan: State Railways only; Philippines: Manila Railroad Company.

b. Post-war data relatae to Federal area only.

c. Including coast-wise traffic of Malaya.

d. Total number of entrances and clearances made during each voyage but excluding sailing vessels. Annual figures relate to 12 months ending 30 Sept of post-war year stated.

e. Scheduled domestic and international routes.

f. Manila only.

p. Pre-war data relate to 1936 for Japan, 1939 for Malaya, and April 1938 to Mar 1939 for Burma and Thailand; pre-war figures for India include former British provinces and Indian States for both railway traffic and sea-borne shipping.

4. VALUE OF IMPORTS AND EXPORTS AND BALANCE OF TRADE

Monthly averages or calendar months

Millions

	1938	1948	1950	1951	1952	1952		1953					
						III	IV	I	II	III	Jul	Aug	Sep
N. BORNEO (M$)													
Imports	0.5	2.1	3.8	5.9	5.9	5.5	6.1	5.5	6.3	5.4	6.2	5.1	..
Exports	0.8	2.5	7.8	9.6	5.4	4.6	5.4	4.5	4.4	4.6	4.7	4.1	..
Balance	+ 0.3	+ 0.4	+ 4.0	+ 3.7	— 0.5	— 0.9	— 0.7	— 1.0	— 1.9	— 0.8	— 1.5	— 1.0	..
BURMA (K.)													
Imports	18‡	49†	44	54	76	78	88	59	68	*87*	59	*102*	*99*
Exports	41‡	63†	63	82	105	94	116	51	147	*103*	145	*95*	*70*
Balance	+ 23	+ 14	+ 19	+ 28	+ 29	+ 16	+ 28	— 8	+ 79	+ *16*	+ 86	— *7*	— *29*
CAMBODIA—LAOS—VIET-NAM													
Imports	16	197	361	523	770	747	707	714	885	1,118	1,296	1,026	1,032
Exports	24	98	136	232	201	161	165	167	175	267	213	372	215
Balance	+ 8	— 99	—225	—291	—569	—586	—542	—547	—710	—851	—1,083	—654	—817
CEYLON (Rs.)													
Imports	20	83	97	130	142	130	141	123	147	131	130	92	170
Exports	24	84	130	159	125	118	107	133	126	128	131	121	133
Balance	+ 4	+ 1	+ 33	+ 29	— 17	— 12	— 34	+ 10	— 21	— 3	+ 1	+ 29	— 37
CHINA (Taiwan only) (NT$)													
Imports[a]	..	..	66	99	147	174	158	124	123	143	184	121	124
Exports	..	..	50	90	122	95	93	132	114	224	351	219	104
Balance	..	..	— 16	— 9	— 25	— 79	— 65	+ 8	— 9	+ 81	+167	+ 98	— 20
HONG KONG (HK$)													
Imports	52	173	317	408	316	309	333	363	346	292	307	269	299
Exports	51	134	313	372	243	259	272	259	259	189	221	173	173
Balance	— 1	— 39	— 4	— 36	— 73	— 50	— 61	—104	— 87	—103	— 86	— 96	—126
INDIA‡[b] (Rs.)													
Imports	..	523	520	795	550	554	459	435	546	494	517	500	464
Sea & air-borne	130	452	484	728	529	540	423	417	536	465	489	473	432
Overland	..	71	36	67	21	14	36	18	10	29	28	27	32
Exports		378	521	619	482	524	468	442	400	435	410	401	493
Sea & air-borne	142	353	506	596	466	506	460	437	396	428	406	392	486
Overland	..	25	15	23	16	18	8	5	4	7	4	9	7
Balance	+ 12	—145	+ 1	—176	— 68	— 30	+ 9	+ 7	—146	— 59	—107	— 99	+ 29
INDONESIA[c] (Rp.)													
Imports	41	94	136	255	823	960	945	615	615	811	917	748	768
Exports	57	87	246	398	783	811	847	716	716	839	909	688	921
Balance	+ 16	— 7	+110	+143	— 40	—149	— 98	+101	+101	+ 28	— 8	— 60	+153
JAPAN[d] (US$)													
Imports	87	57	81	170	169	166	179	182	205	197	200	198	192
Exports	84	22	68	113	106	96	100	93	107	105	101	111	104
Balance	— 3	— 35	— 13	— 57	— 63	— 70	— 79	— 89	— 98	— 92	— 99	— 87	— 88
KOREA (South) (H.)													
Imports	..	7	4	10	587	834	970	1,003	2,483	2,102	2,780	2,158	1,364
Exports	..	6	27	41	167	212	211	228	342	396	290	356	541
Balance	..	— 1	+ 23	— 61	—420	—622	—759	—775	—2,141	—1,706	—2,490	—1,802	—828
MALAYA (M$)													
Imports	46	149	243	396	323	296	315	275	268	272	269	275	272
Exports	50	147	334	506	326	317	306	276	256	241	273	224	225
Balance	+ 4	— 2	+ 91	+110	+ 3	+ 21	— 9	+ 1	— 12	— 31	+ 4	— 51	— 47
PAKISTAN‡ (Rs.)													
Imports	..	124	126	161	143	159	115	108	68	100	102	83	115
Sea-borne	..	99	114	143	129	141	106	101	63	93	96	76	108
Overland	..	25	12	18	14	18	9	7	5	7	6	7	7
Exports	..	86	191	192	128	83	150	166	104	110	127	114	89
Sea-borne	..	84	163	146	116	72	128	160	95	97	112	102	77
Overland	..	2	28	46	12	11	22	6	9	13	15	12	12
Balance	..	— 38	+ 65	+ 31	— 15	— 76	+ 35	+ 58	+ 36	+ 10	+ 25	+ 31	— 26
PHILIPPINES[a] (P.)													
Imports[e]	22.1	97.6	57.1	80.2	70.1	74.0	58.6	67.7	76.9	60.0	79.3	50.6	50.0
Exports	19.4	53.1	56.2	68.3	58.7	51.5	57.0	62.6	66.5	66.5	75.0	65.2	59.3
Balance	— 2.7	—44.5	— 0.9	—11.9	—11.4	—22.5	— 1.6	— 5.1	—10.4	+ 6.5	— 4.3	+14.6	+ 9.3
THAILAND (Baht)													
Imports	11‡	241	387	487	473	486	507	*499*		..	..	..	..
Exports[f]	17‡	373	533	668	487	*506*	*405*	*480*		..	..	..	..
Balance	+ 6	+132	+146	+181	+ 14	+ *20*	—*102*	— *19*		..	..	..	..

GENERAL NOTE: Trade Statistics of Cambodia-Laos-Viet-Nam, China (Taiwan only) and Indonesia are based on "Special" trade system while all other countries compile their statistics on basis of "General" trade system. Monthly data are not published for Brunei and Sarawak. Monthly averages of annual figures are as follows:

	1938	1948	1950	1951	1952
BRUNEI (M$)					
Imports	0.24	2.93	4.59	4.20	17.30
Exports	0.55	4.10	17.12	22.65	23.96
Balance	+0.31	+ 1.17	+12.53	+18.45	+ 6.66
SARAWAK (M$)					
Imports	1.86	8.23	24.11	31.98	31.91
Exports	2.18	14.27	31.22	42.36	36.55
Balance	+0.32	+ 6.04	+ 7.11	+10.38	+ 4.64

a. Imports exclude M.S.A./E.C.A. imports.

b. Former British provinces and Indian States.

c. Figures for Jan 1952 cover the period 1 Jan—3 Feb. As from 4 Feb 1952, the rise in value over the preceding figures is principally due to a change in the conversion rate from 3.80 (excluding the value of the exchange certificate) to 11.40 rupiahs per dollar.

d. Figures under column for 1938 relate to 1936; they have been adjusted to include trade with Korea and China (Taiwan only). Post-war imports include aid imports, exports include procurements for U.S. forces in Korea (South) and U.S. forces.

e. Imports valued f.o.b.

f. Annual figures are estimates by the Bank of Thailand for purposes of the balance of payments and allow for the substantial under valuation in Customs statistics of the principal export products. Monthly figures are tentative estimates by ECAFE Secretariat.

5. DIRECTIO

Quarterly averag

TRADE WITH	Year and Quarter	BURMA		CAMBODIA-LAOS-VIET-NAM		CEYLON		HONG KONG		INDIA[a]	
		Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
All countries	1948	57.2	45.0	23.0	47.0	76.4	75.1	99.7	130.8	342.8	507.4
	1950	39.4	28.6	19.8	52.6	82.0	61.4	162.5	165.7	293.0	284.2
	1951	51.6	34.4	33.7	76.2	100.0	82.0	193.9	213.1	411.4	453.6
	1952	66.0	48.0	29.2	112.2	73.9	89.4	126.8	165.4	328.0	416.8
	1952 II	(69.9)	(50.2)	32.4	114.9	78.1	92.4	115.8	149.4	308.4	466.5
	III	(59.5)	(49.1)	(23.5)	(108.9)	69.5	81.4	135.6	162.1	337.2	350.9
	IV	73.4	55.7	(24.1)	(103.0)	63.4	88.9	142.5	174.7	295.4	283.8
	1953 I	32.2	36.9	24.3	104.1	79.4	77.4	135.9	190.6	272.3	273.8
	II	(21.2)	(27.2)	(21.3)	(108.8)	75.8	92.5	135.9	181.7	249.8	343.9
	III	..	..	(22.9)	(95.8)	76.5	81.5	99.1	153.6	(269.2)	(286.3)
ECAFE Region (including Japan)	1948	50.0	14.4	7.8	5.5	4.6	26.3	60.7	53.8	95.2	121.5
	1950	33.2	17.5	4.6	4.2	4.5	28.8	116.9	88.0	68.3	47.7
	1951	42.4	20.0	4.9	5.2	7.6	31.2	149.2	103.6	78.7	110.6
	1952	51.6	28.7	(11.1)	(8.2)	4.5	31.2	100.2	90.2	83.1	67.9
	1952 II	(57.6)	(15.8)	9.3	7.3	4.2	27.8	93.1	84.0	86.3	62.4
	III	(40.3)	(23.0)	(9.5)	(3.0)	5.3	26.3	111.5	93.2	100.2	73.0
	IV	55.5	37.1	(6.2)	(2.8)	3.4	33.8	115.2	94.3	65.8	54.5
	1953 I	19.0	19.5	12.7	8.1	2.2	30.9	103.8	99.5	54.6	29.9
	II	(15.0)	(13.1)	(11.5)	(7.8)	26.4	35.3	105.8	101.4	56.3	55.6
	III	..	..	(9.7)	(8.2)	16.1	34.2	73.2	89.6	(39.8)	(21.8)
Japan	1948	—	0.3	0.6	0.2	0.1	1.0	3.1	5.0	3.4	4.8
	1950	5.1	3.0	0.2	0.6	—	1.6	5.3	10.0	3.9	3.9
	1951	7.2	5.9	0.6	2.4	0.4	4.2	8.4	17.2	9.6	11.6
	1952	8.2	7.2	0.9	2.7	0.5	5.4	5.4	21.1	14.0	10.2
	1952 II	(8.5)	(4.0)	1.0	2.2	0.5	3.5	3.5	21.4	8.3	8.2
	III	(8.6)	(4.9)	(1.0)	(0.7)	0.7	4.4	7.5	22.3	25.4	11.8
	IV	15.3	10.8	(1.0)	(1.0)	0.5	6.7	6.1	20.6	15.5	7.6
	1953 I	3.1	6.4	0.5	2.3	0.4	3.4	10.2	13.9	17.6	5.5
	II	(3.3)	(4.3)	(1.1)	(1.5)	0.3	4.0	13.7	18.0	18.5	8.9
	III	..	..	(5.1)	(2.1)	0.6	4.4	7.2	19.4	(7.4)	(5.6)
Western Europe	1948	5.8	23.9	10.2	32.9	30.7	16.4	8.5	32.5	106.8	159.5
	1950	2.5	8.0	9.4	42.4	32.1	15.6	14.9	31.0	95.4	90.2
	1951	5.4	11.2	17.0	61.8	50.4	25.5	16.6	70.0	147.8	129.9
	1952	8.4	14.6	(8.9)	(88.2)	30.5	25.6	9.8	50.3	99.6	124.6
	1952 II	(8.6)	(13.0)	6.3	91.6	34.3	26.8	7.5	41.7	81.6	118.2
	III	(6.0)	(14.4)	(7.2)	(83.8)	25.1	24.6	9.4	44.1	98.0	121.6
	IV	9.9	15.1	(9.1)	(81.0)	24.7	22.8	12.4	56.8	105.5	110.9
	1953 I	6.9	13.2	7.7	83.3	29.7	22.1	14.0	66.0	98.0	114.2
	II	(3.4)	(12.3)	..	..	31.1	28.0	11.0	53.4	75.1	127.6
	III	..	..	..	..	24.7	25.8	7.7	40.4	(88.0)	(131.3)
United Kingdom	1948	5.1	21.1	—	1.2	22.9	13.2	4.7	19.0	74.2	115.6
	1950	1.4	6.7	0.2	0.4	19.3	12.2	7.4	17.7	64.4	61.7
	1951	3.3	8.4	1.3	0.5	30.8	18.1	9.4	27.1	103.9	75.0
	1952	6.2	10.8	—	—	21.7	20.0	3.6	20.6	66.8	78.6
	1952 II	(7.5)	(10.4)	—	—	25.2	22.6	2.4	17.7	49.7	76.5
	III	(5.2)	(11.0)	1.2	3.7	19.3	17.7	3.4	19.6	62.6	74.7
	IV	9.0	10.6	0.1	1.0	18.9	17.3	3.2	21.8	73.1	66.5
	1953 I	5.7	10.1	—	—	20.2	16.6	5.1	23.7	72.1	73.1
	II	(1.8)	(7.8)	—	—	23.1	22.2	5.8	22.2	55.1	71.3
	III	..	..	—	—	17.0	18.0	4.7	18.2	(79.4)	(76.0)
Eastern Europe	1948	—	0.1	—	0.1	0.5	0.2	0.9	0.1	6.4	5.3
	1950	—	—	—	0.2	0.1	0.4	—	0.9	1.5	3.0
	1951	—	0.1	—	—	0.4	0.9	—	1.5	5.0	3.9
	1952	0.1	0.1	—	—	—	—	—	0.4	2.0	2.7
	1952 II	—	—	—	—	—	—	—	—	1.8	1.9
	III	—	(0.2)	—	—	—	—	—	—	1.0	2.2
	IV	—	(0.1)	—	—	—	—	—	0.2	0.8	1.9
	1953 I	—	(0.1)	—	—	—	—	—	1.3	1.3	2.2
	II	—	(0.1)	—	—	—	—	—	0.6	2.1	1.9
	III	..	..	—	—	—	—	—	1.1	(0.6)	(2.0)

F TRADE

quarters

EXTERNAL TRADE

Million dollars

INDONESIA		JAPAN		MALAYA and SINGAPORE		PAKISTAN[a]		PHILIPPINES		Year and Quarter	TRADE WITH
xports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports		
98.7	116.2	64.6	170.6	203.2	210.4	79.0	89.4	79.4	146.5	1948	All countries
180.4	100.4	205.0	242.5	328.0	238.1	100.4	87.8	84.3	85.6	1950	
307.7	201.5	338.6	498.8	496.3	388.4	190.9	133.7	102.4	120.1	1951	
227.8	228.6	318.2	507.0	320.0	316.3	133.1	152.4	87.9	104.5	1952	
220.5	212.2	326.8	524.3	303.1	317.1	102.7	173.4	97.9	101.8	II 1952	
218.1	252.6	288.9	497.7	311.1	285.5	(75.7)	(143.9)	76.7	108.5	III	
239.4	248.9	300.7	537.7	297.6	308.9	(135.8)	(104.9)	85.6	87.9	IV	
188.3	161.8	275.5	547.5	263.9	269.5	150.4	98.1	93.8	101.5	I 1953	
195.2	196.0	328.6	613.9	257.3	262.4	94.3	61.6	99.8	115.2	II	
221.1	213.4	316.3	590.5	236.4	266.4	(99.4)	(91.0)	(79.8)	(89.7)	III	
25.0	33.7	31.6	24.3	49.8	96.9	24.0	44.6	7.2	14.9	1948	ECAFE Region (including Japan)
73.4	39.0	91.0	74.2	83.9	153.7	25.4	33.7	7.3	9.6	1950	
121.4	83.6	165.4	125.0	118.0	242.0	85.0	49.5	9.0	19.3	1951	
74.0	91.0	147.3	130.8	91.3	181.6	61.0	57.7	11.4	14.3	1952	
60.8	73.6	157.2	129.1	88.5	176.8	62.8	52.2	10.7	12.2	II 1952	
74.7	101.4	136.3	116.5	93.8	175.4	(48.3)	(50.5)	14.6	21.0	III	
87.3	107.3	121.8	138.7	88.3	181.0	(50.6)	(23.9)	11.4	10.2	IV	
56.4	62.1	121.3	152.4	76.8	152.6	41.6	15.2	9.7	11.4	I 1953	
66.7	92.1	155.7	177.2	87.3	148.5	38.2	7.8	13.9	13.1	II	
79.7	85.5	141.9	153.0	72.6	158.9	(39.1)	(10.6)	(15.3)	(8.6)	III	
2.4	18.0	—	—	2.3	1.6	0.9	0.7	3.9	0.5	1948	Japan
2.5	10.5	—	—	9.4	7.6	11.0	13.1	5.5	3.6	1950	
10.0	37.7	—	—	12.8	19.9	19.2	19.5	7.5	8.2	1951	
6.1	31.3	—	—	12.6	20.4	22.0	27.9	10.2	4.6	1952	
4.2	23.1	—	—	12.1	26.3	7.4	37.8	9.5	5.4	II 1952	
8.2	31.4	—	—	12.7	14.9	(7.1)	(22.1)	13.5	4.4	III	
9.9	33.6	—	—	12.0	13.0	(25.3)	(11.4)	10.5	4.0	IV	
10.6	16.3	—	—	13.0	8.7	30.9	7.6	8.8	5.5	I 1953	
9.0	29.4	—	—	11.0	12.1	21.1	2.3	12.4	5.6	II	
8.6	45.7	—	—	12.9	10.5	(20.4)	(2.8)	(14.0)	(2.7)	III	
43.6	41.7	6.8	4.9	58.6	49.6	33.4	26.6	13.2	4.8	1948	Western Europe
60.6	36.0	23.6	9.2	103.2	56.7	50.3	34.8	11.0	4.9	1950	
110.0	66.8	35.4	40.1	185.6	100.1	77.3	47.4	22.1	7.0	1951	
72.2	79.9	44.1	34.4	(120.7)	(90.6)	49.2	52.5	(13.1)	(6.0)	1952	
68.5	69.3	56.0	40.3	105.9	91.9	27.4	64.9	8.0	5.7	II 1952	
72.5	89.9	29.3	28.5	126.8	76.3	. .	. .	12.3	6.5	III	
71.2	93.7	31.2	44.0	108.2	85.9	. .	. .	15.6	4.1	IV	
67.9	58.2	39.5	30.3	94.2	78.1	73.7	32.9	11.3	5.4	I 1953	
59.1	57.8	25.0	56.1	78.3	78.8	41.2	13.5	8.6	5.4	II	
75.8	75.9	28.9	78.3	78.3	66.9	(40.4)	(18.8)	(16.5)	(4.1)	III	
2.0	10.8	4.2	1.3	28.2	40.5	13.4	20.4	0.8	1.3	1948	United Kingdom
6.5	7.4	6.5	1.6	44.6	41.3	17.2	23.1	1.3	1.3	1950	
19.5	13.0	13.5	8.0	99.3	64.4	23.9	27.6	3.2	1.6	1951	
6.1	16.2	18.3	9.2	66.6	66.9	17.0	30.9	1.4	1.2	1952	
6.8	13.3	31.6	10.1	62.1	68.8	6.9	40.0	1.2	1.1	II 1952	
3.8	18.2	11.8	6.1	70.8	54.7	(7.4)	(33.9)	0.8	1.2	III	
4.2	20.8	8.0	10.0	54.0	63.4	(14.9)	(19.7)	1.1	0.8	IV	
3.6	13.2	14.3	8.5	51.0	59.4	29.4	21.0	1.8	0.9	I 1953	
4.5	11.3	6.9	11.0	41.3	57.9	16.9	7.1	1.3	1.2	II	
4.5	16.1	9.5	14.1	36.7	48.2	(16.4)	(12.3)	(1.0)	(0.9)	III	
0.4	1.1	1.1	0.6	14.5	1.6	6.2	1.1	2.0	0.1	1948	Eastern Europe
0.2	0.7	0.4	0.9	14.0	1.0	7.3	2.0	0.1	0.1	1950	
0.6	1.5	0.5	0.5	17.2	1.5	8.1	2.2	—	—	1951	
2.4	1.6	0.6	0.7	8.3	0.9	9.0	1.8			1952	
0.1	1.8	0.5	0.3	12.5	0.6	. .	. .	—	0.1	II 1952	
1.8	1.3	(0.4)	(0.1)	5.2	0.7	. .	. .	—	—	III	
7.1	1.1	(0.6)	(0.6)	4.5	1.1	. .	. .	—	—	IV	
1.1	1.1	0.7	1.2	4.7	2.1	8.4	0.7	. .	0.1	I 1953	
1.0	1.4	0.5	0.4	5.4	1.3	1.3	0.3	—	—	II	
1.4	1.9	1.6	2.1	4.2	1.6	(0.6)	(0.1)	—	—	III	

DIRECTION O

Quarterly averag

TRADE WITH	Year and Quarter	BURMA		CAMBODIA-LAOS-VIET-NAM		CEYLON		HONG KONG		INDIA[a]	
		Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
North America	1948	0.6	1.7	0.5	6.0	16.0	6.4	10.0	26.7	60.9	89.4
	1950	0.9	0.8	3.7	3.0	23.1	2.9	14.0	30.8	61.8	58.6
	1951	0.2	0.9	3.6	4.1	14.7	5.3	7.8	20.2	85.9	118.1
	1952	0.6	2.6	3.1	5.6	12.1	9.9	5.8	13.1	72.6	158.7
	1952 II	(0.2)	(0.8)	1.6	5.2	25.5	20.0	5.3	14.4	67.3	228.1
	III	(0.4)	(1.1)	(4.0)	(5.8)	37.5	28.6	3.3	10.0	70.7	96.8
	IV	0.5	1.7	(4.3)	(4.3)	48.6	39.5	3.5	12.0	65.4	51.5
	1953 I	1.3	1.6	2.7	4.5	14.5	3.4	4.6	11.5	63.8	64.2
	II	(0.2)	(1.5)	(1.8)	(1.0)	8.9	6.3	4.0	14.1	54.2	67.7
	III	. .	. .	(4.9)	(3.7)	9.5	2.4	3.9	12.4	(54.9)	(53.6)
United States of America	1948	0.6	1.6	0.5	6.0	12.6	5.7	9.6	24.4	54.3	82.2
	1950	0.1	0.8	3.7	3.0	17.6	1.8	13.5	28.6	54.8	52.9
	1951	0.2	0.8	3.6	4.1	10.5	4.3	7.1	16.3	75.1	105.9
	1952	0.6	2.5	3.1	5.6	8.2	7.8	5.0	9.6	65.0	143.0
	1952 II	(0.2)	(0.8)	1.6	5.2	7.1	9.7	4.6	10.4	59.9	207.7
	III	(0.4)	(1.0)	(4.0)	(5.8)	8.2	6.9	2.2	7.8	63.1	72.1
	IV	0.5	1.7	(4.3)	(4.3)	7.1	9.4	2.6	8.8	60.4	46.4
	1953 I	1.3	1.6	2.7	4.5	8.7	3.1	3.4	8.6	55.4	52.4
	II	(0.2)	(1.5)	(1.8)	(1.0)	5.7	3.9	3.0	11.3	48.0	61.8
	III	. .	. .	(4.9)	(3.7)	5.9	1.9	3.1	10.8	(46.4)	(40.0)
Latin American Republics	1948	0.2	—	—	0.2	1.0	1.1	0.1	—	24.0	12.6
	1950	—	—	—	0.3	1.1	0.6	—	—	12.4	1.3
	1951	—	—	—	—	1.1	—	—	—	24.5	2.8
	1952	—	—	—	—	0.4	—	—	—	14.2	0.7
	1952 II	—	—	—	—	0.3	—	—	—	9.3	0.8
	III	—	—	—	—	0.4	—	—	—	15.7	0.1
	IV	—	—	—	—	0.1	—	—	—	18.8	0.6
	1953 I	—	—	—	—	0.1	—	—	—	9.4	1.2
	II	—	—	—	—	0.2	—	—	—	12.4	0.2
	III	. .	. .	—	—	0.2	—	—	0.5	(19.4)	—
Oceania	1948	—	1.4	0.5	0.6	8.3	10.8	1.7	4.2	18.0	20.9
	1950	—	0.6	0.1	0.1	8.0	4.2	1.9	3.5	16.9	23.7
	1951	—	0.8	—	—	9.0	6.5	3.5	4.0	28.8	10.6
	1952	—	0.9	—	—	5.8	6.5	0.9	2.4	14.4	8.7
	1952 II	—	(1.3)	—	—	6.4	7.3	0.7	2.3	19.3	11.8
	III	—	(0.7)	—	—	6.8	8.2	0.9	2.6	9.7	5.3
	IV	—	0.7	—	—	4.9	5.3	0.8	2.9	5.7	5.5
	1953 I	—	1.3	—	—	6.9	8.2	1.5	2.6	8.6	6.3
	II	—	(0.1)	—	—	9.9	11.8	2.1	2.2	12.6	24.0
	III	. .	. .	. .	. .	9.6	9.2	2.3	2.1	(8.5)	(21.3)
Sterling Area	1948	49.5	36.5	5.8	2.8	41.0	53.8	26.2	36.3	191.6	264.2
	1950	24.0	21.0	4.1	1.3	36.9	43.6	44.3	49.7	164.6	141.6
	1951	32.9	22.4	8.8	1.4	51.2	57.3	61.0	67.9	218.0	190.1
	1952	43.0	32.2	6.5	0.8	36.0	56.6	32.0	44.8	168.8	154.6
	1952 II	44.4	33.6	7.4	0.6	39.3	59.3	28.6	37.8	163.4	151.2
	III	44.5	33.6	(5.7)	(0.3)	35.0	54.4	30.4	44.6	170.8	146.6
	IV	42.9	35.5	(4.2)	(0.4)	31.2	50.2	27.8	47.4	144.0	137.6
	1953 I	21.4	24.4	7.3	3.3	33.6	49.1	33.1	49.6	134.2	125.7
	II			(8.5)	(1.6)	38.7	59.3	31.5	47.4	122.7	168.4
	III			. .	. .	36.0	50.5	29.8	39.8	(110.4)	(112.1)
ECAFE Sterling Countries	1948	43.9	13.8	5.8	1.0	4.4	24.2	17.0	10.5	81.6	110.2
	1950	22.3	13.6	3.9	0.7	4.3	23.5	32.5	25.9	58.6	38.3
	1951	28.5	13.0	3.6	0.7	5.1	25.2	44.5	32.3	57.4	83.0
	1952	33.8	20.2	(6.5)	(0.8)	4.0	22.7	24.8	18.0	61.0	43.7
	1952 II	(35.9)	(20.6)	7.3	0.5	3.7	23.0	22.9	14.7	70.1	40.7
	III	(35.0)	(22.8)	(5.7)	(0.3)	4.6	21.4	23.2	16.8	67.8	40.9
	IV	28.7	24.2	(4.2)	(0.4)	2.9	20.7	20.9	18.9	43.4	35.3
	1953 I	15.4	12.7	6.6	0.2	1.8	17.0	23.2	20.0	30.7	23.4
	II	(8.9)	(8.7)	(8.5)	(1.6)	1.3	19.3	19.7	19.9	31.1	44.7
	III			(4.2)	(0.8)	4.6	18.0	18.5	16.8	(26.0)	(33.6)

GENERAL NOTES:

1. Countries included in the total for ECAFE region are the following:
   - i) Sterling countries—Burma, Ceylon, Hong Kong, India, Malaya and British Borneo and Pakistan.
   - ii) Non-sterling countries — Cambodia-Laos-Viet-Nam, China (Taiwan and mainland), Indonesia, Japan, Philippines, Thailand and Korea (South). Data are not available for Korea and Nepal.
2. Annual data are based on calendar years except for 1948 figures in the case of Burma, India and Pakistan, which are based on the twelve months ending September 1948 in the case of Burma, and ending March 1949 in the case of India and Pakistan. and March 1949 in the case of India and Pakistan.
3. Figures in brackets are based on national sources converted by ECAFE Secretariat using exchange rates published by IMF.

a. 1948, year beginning 1st April.

4. Having regard to the considerable volume of trade of Cambodia-Laos-Viet-Nam and Indonesia with France and the Netherlands respectively, these figures are shown separately below:—

	Cambodia-Laos-Viet-Nam with France		*Indonesia with Netherlands*	
	Exp.	Imp.	Exp.	Imp.
1948	10.0	29.5	35.4	22.2
1950	8.6	40.0	43.8	17.2
1951	12.8	58.7	65.3	24.4
1952	8.9	88.2	48.3	29.3
1952 II	6.3	91.6	47.2	26.8
III	14.1	58.1	50.5	33.8
IV	2.2	106.7	50.0	33.1
1953 I	7.7	83.3	47.8	19.2
II	(3.9)	(85.2)	39.3	21.2
III	(4.3)	(76.1)	(43.6)	(24.7)

RADE (Cont'd)

quarters

Million dollars

INDONESIA		JAPAN		MALAYA and SINGAPORE		PAKISTAN[a]		PHILIPPINES		Year and Quarter	TRADE WITH
xports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports		
17.8	28.4	16.9	112.4	60.0	27.4	12.4	6.6	53.8	120.2	1948	North America
29.5	21.5	50.3	114.8	94.9	8.8	11.4	8.8	62.7	66.1	1950	
51.9	41.6	52.0	217.7	113.0	20.9	8.3	8.0	65.8	88.8	1951	
58.7	40.5	63.8	237.4	60.1	18.0	5.6	10.1	59.8	80.0	1952	
65.6	42.1	52.0	270.5	56.9	19.5	5.9	10.3	72.0	77.8	II 1952	
48.9	43.8	75.2	251.9	45.5	12.6	..	..	49.7	78.3	III	
55.9	36.4	71.5	224.5	57.9	14.6	..	..	56.9	70.2	IV	
45.5	34.9	61.6	233.1	55.5	13.1	12.4	6.1	69.7	82.9	I 1953	
50.5	34.8	73.3	213.0	42.9	12.6	6.7	3.4	73.2	94.7	II	
42.9	34.4	64.9	216.2	44.3	12.5	(3.7)	(4.0)	(62.5)	(73.1)	III	
17.2	26.9	16.4	110.4	53.8	24.6	12.0	6.6	52.4	117.7	1948	United States of America
29.4	20.8	45.7	106.8	85.6	7.2	11.0	8.8	61.6	63.9	1950	
51.6	40.2	47.4	171.8	97.5	17.8	7.9	7.5	64.6	85.4	1951	
58.3	39.0	58.6	192.1	53.6	14.9	5.6	9.1	58.9	76.3	1952	
64.9	38.9	47.3	239.3	50.3	15.9	(5.8)	(9.1)	71.3	75.9	II 1952	
48.7	43.0	67.0	182.7	39.9	10.2	(4.3)	(9.3)	48.6	73.2	III	
55.6	36.0	69.3	166.8	51.2	12.8	(7.3)	(6.2)	55.9	67.2	IV	
45.2	34.5	57.0	181.4	48.5	11.7	12.3	6.1	69.5	80.4	I 1953	
50.1	34.3	66.9	177.2	37.6	11.4	6.5	3.2	73.1	91.5	II	
42.4	34.2	57.8	175.0	37.6	11.4	(3.6)	(4.0)	(61.2)	(70.6)	III	
0.1	0.7	0.4	20.9	0.8	1.0	1.8	0.2	1.3	3.0	1948	Latin American Republics
0.4	—	10.4	16.8	5.4	0.4	1.8	0.6	1.9	0.2	1950	
1.2	0.4	22.3	64.8	16.2	0.3	—	—	2.0	1.1	1951	
1.1	7.1	12.5	42.0	4.7	0.3	—	—	1.4	0.3	1952	
3.2	16.7	12.7	18.4	5.7	0.1	—	—	2.2	—	II 1952	
0.6	7.6	..	..	2.9	0.3	—	—	0.8	0.4	III	
0.4	0.2	..	..	1.8	0.4	—	—	0.6	0.4	IV	
0.1	—	14.8	49.8	5.0	0.2	0.2	—	1.9	0.3	I 1953	
0.4	0.4	21.7	64.6	4.2	0.1	0.5	—	3.3	0.3	II	
0.5	0.3	18.9	50.7	4.2	0.4	(0.6)	—	3.8	—	III	
1.2	8.5	1.1	2.1	14.1	22.4	0.5	0.3	0.2	1.8	1948	Oceania
4.0	0.7	6.4	20.3	14.2	9.4	1.8	0.2	0.1	0.5	1950	
8.6	2.6	25.4	36.7	28.2	12.0	2.2	0.3	1.4	0.2	1951	
7.1	3.2	9.7	37.9	15.7	13.6	1.0	0.6	0.2	0.4	1952	
6.6	4.3	12.7	32.2	15.1	13.6	1.3	0.8	0.1	0.3	II 1952	
8.0	3.2	6.8	35.0	18.4	11.4	(0.9)	(0.4)	0.3	0.5	III	
7.2	3.3	0.2	35.1	16.5	14.7	(1.2)	(0.3)	0.1	0.5	IV	
6.4	1.6	1.6	57.3	10.8	14.5	1.2	0.1	0.1	0.2	I 1953	
5.0	3.7	2.5	66.9	21.9	12.5	1.0	0.1	0.1	0.3	II	
6.9	7.4	2.5	38.3	15.6	11.9	(1.6)	(0.3)	0.2	0.2	III	
24.4	29.7	17.4	15.3	61.0	89.4	34.8	60.5	2.4	5.4	1948	Sterling Area
79.2	34.9	74.2	55.4	100.4	98.4	32.1	41.2	2.6	7.6	1950	
137.2	57.3	153.1	11.6	182.6	139.1	81.8	54.9	5.2	7.6	1951	
77.4	66.2	134.8	125.1	116.0	131.2	36.8	61.7	2.8	7.8	1952	
68.8	55.4	157.6	120.2	107.7	127.4	15.2	76.1	2.6	5.4	II 1952	
71.3	77.6	..	..	126.2	120.6	(10.8)	(51.9)	1.5	13.1	III	
81.9	90.9	..	..	103.5	132.6	(22.5)	(30.4)	2.0	6.5	IV	
50.8	50.9	73.3	166.8	95.8	119.3	41.7	30.1	2.6	5.7	I 1953	
61.7	77.0	74.1	174.3	102.3	115.2	31.9	13.9	2.2	6.7	II	
75.7	64.5	60.8	133.1	86.8	104.7	(26.4)	(18.7)	(2.0)	(5.2)	III	
20.9	9.5	8.8	10.9	15.5	20.8	20.6	38.7	1.4	2.2	1948	ECAFE Sterling Countries
67.4	25.4	42.7	29.6	35.1	45.6	12.4	16.0	0.8	4.7	1950	
106.9	37.4	83.6	63.4	45.6	58.4	54.4	25.8	0.8	4.8	1951	
63.0	42.9	82.3	67.6	(27.3)	(43.8)	18.0	29.2	0.6	5.6	1952	
54.5	35.3	88.3	70.1	25.9	39.8	14.5	14.1	0.5	4.3	II 1952	
58.6	52.5	74.8	57.1	32.3	49.0	(11.8)	(28.1)	0.4	10.6	III	
69.7	60.5	52.0	70.7	28.2	51.8	(25.4)	(11.9)	0.5	3.9	IV	
40.5	33.5	42.6	91.6	28.8	39.0	9.5	7.3	0.5	4.6	I 1953	
51.2	57.2	48.0	90.0	33.7	38.7	13.1	4.7	0.6	5.2	II	
63.4	35.7	48.8	80.7	28.9	37.8	(18.2)	(7.0)	(0.8)	(3.9)	III	

6. VALUE OF IMPORTS BY PRINCIPAL COMMODITIES AND/OR COMMODITY GROUPS

Monthly averages or calendar months *Millions*

	1938[g]	1948	1950	1951	1952	1952		1953					
						III	IV	I	II	III	Jul	Aug	Sep
BURMA (K.)													
Cotton yarn and fabrics (incl. thread)	3.4‡	9.2†	10.6†	13.3	14.1	19.4	14.5	16.0	16.0	..	15.6	15.9	..
Base metals and manufactures thereof	2.1‡	5.9†	1.9†	3.1	6.0	6.7	5.6	5.5	7.4	..	5.9	9.1	..
Machinery and transport equipment	1.8‡	9.3†	4.3†	3.9	6.7	6.9	5.8	8.6	6.8	..	6.4	12.4	..
CAMBODIA—LAOS—VIET-NAM													
Live animals and food	1.0	15.6	41.4	83.4	83.5	82.2	96.4	75.1	110.6	168.6	219.7	136.0	150.0
Textiles and apparel, incl. yarn and thread	4.4	42.5	99.7	167.9	176.3	176.6	155.5	162.3	186.4	253.6	259.3	232.8	268.7
Machinery and vehicles (incl. electric machinery and fittings) and base metals and manufactures thereof	3.3	56.8	76.1	128.0	171.5	180.8	148.6	163.4	198.6	308.2	368.8	292.7	262.9
CEYLON (Rs.)													
Food and drink	8.7	42.5	48.9	57.0	64.5	59.2	68.1	56.9	71.0	62.8	53.2	35.4	99.8
Raw materials and articles mainly unmanufactured	2.8	8.8	9.9	13.5	14.3	16.1	13.7	15.8	15.2	13.9	11.9	14.1	15.6
Articles wholly or mainly manufactured	7.8	29.9	37.7	58.2	61.7	53.3	57.8	48.8	59.3	53.2	63.9	42.3	53.5
Cotton yarn and manufactures	1.4	10.3	10.5	11.8	10.4	9.7	8.7	8.8	9.6	8.1	10.9	2.4	11.1
Machinery and vehicles	1.0	5.2	5.7	11.0	14.1	11.3	12.3	11.2	18.0	12.5	16.0	11.3	10.2
Base metals and manufactures thereof	0.9	2.6	3.7	6.1	6.2	6.6	5.2	5.3	6.2	5.3	6.6	5.4	3.8
Electrical goods and apparatus	0.3	0.9	1.4	2.3	1.8	1.4	2.2	1.4	2.0	2.2	1.9	2.1	2.8
CHINA (Taiwan only) (NT$)													
Beans and peas	..	..	2.7	6.9	11.1	12.9	16.8	4.8	5.2	5.2	7.7	4.0	3.7
Wheat flour	..	..	3.9	2.2	8.3	12.5	14.5	6.8	5.0	13.3	22.6	7.5	9.9
Cotton piecegoods	..	..	9.8	7.2	4.4	4.8	3.3	3.9	—	—	—	—	—
Fertilizers, chemical or artificial	..	..	5.8	5.9	9.1	14.4	12.4	9.4	—	3.0	—	—	9.0
Medecines and drugs	..	..	2.2	3.6	11.6	13.6	8.5	6.5	7.2	8.9	8.4	9.8	8.4
Iron and steel manufactures	..	..	4.0	5.6	11.5	7.3	6.9	3.2	1.1	6.9	6.7	7.1	6.8
Machinery and vehicles	..	..	10.8	13.6	20.1	12.6	11.9	12.7	4.2	12.9	15.3	10.3	13.3
INDIA[a] (Rs.)													
Food and drink	14.9	73.7	102.6	175.8	188.1	162.6	65.8	85.9	144.3	86.0	108.5	96.3	53.3
Raw materials and articles mainly unmanufactured	30.5	88.3	148.7	186.9	186.1	131.6	148.5	109.4	159.1	149.7	148.5	160.5	140.3
Cotton, raw and waste	9.2	38.8	72.7	94.3	95.8	51.9	45.0	35.6	64.2	46.3	60.7	30.2	47.9
Mineral oils	13.6[h]	26.7	45.7	53.2	65.0	57.7	81.2	53.1	71.8	72.1	60.6	99.7	55.9
Articles wholly or mainly manufactured	78.0	224.5	203.8	270.7	247.1	241.1	205.1	223.2	228.1	225.1	227.2	213.1	234.9
Machinery and vehicles	22.1	89.4	94.9	104.1	104.5	96.7	86.0	98.8	90.8	87.4	88.0	81.5	92.5
Implements and instruments	4.9[i]	7.7	6.4	10.5	8.5	7.7	6.3	8.3	8.1	8.2	8.9	7.4	8.1
Electrical goods and apparatus	2.8	8.0	8.5	7.6	10.8	11.7	11.0	13.5	13.3	12.1	15.6	10.5	11.2
Base metals and manufactures thereof	8.9	26.4	40.0	33.2	37.4	37.6	30.9	33.0	29.7	34.6	36.3	29.1	38.4
INDONESIA[b] (Rp.)													
Food	7.3	9.5	18.3	27.0	162.3	172.5	126.1	136.5	143.5	106.1	153.5	93.9	71.0
Textiles	10.3	23.5	36.0	61.7	217.8	224.1	240.2	152.1	230.1	262.1	299.4	246.7	240.2
Base metals (incl. ores) and manufactures thereof	4.9	4.2	4.6	12.1	89.9	90.8	115.8	58.6	58.6	90.9	89.5	93.8	89.3
Machinery and appliances (incl. electrical material)	5.1	6.8	7.2	8.6	36.4	43.1	36.1	48.9	44.4	60.6	70.0	53.3	58.4
Transport equipment	3.0	3.7	1.1	6.6	19.7	28.9	19.8	64.9	49.6	59.7	65.4	45.1	68.5

6. VALUE OF IMPORTS BY PRINCIPAL COMMODITIES AND/OR COMMODITY GROUPS *(Cont'd)*

Monthly averages or calendar months *Millions*

	1938[h]	1948	1950	1951	1952	1952		1953					
						III	IV	I	II	III	Jul	Aug	Sep
JAPAN (US$)													
Food	19.5[k]	26.7[k]	28.0	46.5	49.6	50.3	50.9	45.1	56.0	..	42.3	43.1	..
Crude materials (inedible) other than fuels	..	..	..	108.2	80.6	74.8	88.4	87.9	96.7	..	106.7	96.0	..
Mineral fuels, lubricants and related materials	..	..	..	13.9	19.5	21.0	15.9	25.6	22.8	..	19.7	27.4	..
Chemicals	4.2	3.9	4.8	3.1	3.7	3.6	4.2	4.9	6.2	..	7.0	5.4	..
Textiles	..	..	..	*0.9*	0.7	0.7	0.7	0.8	1.0	..	2.0	2.0	..
Manufactures of metals	..	..	..	..	0.4	0.6	0.4	0.4	0.5	..	0.9	0.5	..
Base metals	11.0	1.3	1.8	*0.2*	1.4	0.9	1.6	2.2	2.7	..	2.3	2.8	..
Machinery and transport equipment	3.5	0.1	0.6	5.1	7.6	6.4	10.1	9.0	12.1	..	11.7	15.0	..
MALAYA (M$)													
Food	11.9	48.2	57.8	82.0	84.2	80.5	86.9	77.1	71.2	91.3	85.1	84.0	104.6
Cotton yarn and manufactures	2.2	17.9	22.9	30.0	18.2	16.5	21.6	16.6	19.8	17.6	20.2	17.2	15.4
Machinery and vehicles	3.1	9.9	12.1	22.9	27.9	23.8	23.6	21.8	19.1	14.3	15.4	15.0	12.5
Base metals and manufactures thereof	1.6	4.7	7.1	15.0	14.8	12.7	16.7	15.0	15.3	10.4	13.5	10.7	7.0
Electrical goods and apparatus	0.5	2.4	3.5	5.2	5.6	5.0	4.8	6.8	6.0	4.4	4.7	4.4	4.1
PAKISTAN (Rs.)													
Cotton piecegoods	..	22.4‡	22.7	27.5	23.0	18.6	6.2	4.4	0.3	—	—	—	—
Cotton twist and yarn	..	9.4‡	12.5	18.0	16.3	11.1	4.5	1.0	2.3	5.3	2.3	5.3	8.4
Machinery and vehicles	..	8.6‡	13.3	17.2	21.6	20.4	14.7	15.9	8.5	11.1	10.5	14.4	8.5
PHILIPPINES (P.)													
Grains and preparations[c]	1.3[l]	7.0	4.2	7.5	6.1	11.4	5.1	2.8	3.3	..	..	..	..
Cotton and manufactures[d]	3.6	11.4	6.2	12.2	9.2	9.0	8.0	16.1	14.6	..	..	..	..
Rayon and other synthetic textiles[d]	0.4	8.8	2.7	2.3	3.9	2.7	3.7						
Mineral oils (petroleum products)[e]	0.9	5.7	5.8	6.0	6.6	6.7	3.2	3.3	5.6	..	..	..	..
Machinery and vehicles (incl. spare parts)	2.7	8.9	4.4	7.0	9.7	8.9	7.7	8.8	10.1	..	..	..	..
Iron and steel manufactures[f]	1.8	4.7	4.4	6.0	4.0	3.8	4.3	8.5	*6.4*	..	..	..	..
THAILAND[g] (Baht)													
Cotton fabrics and manufactures	2.1‡	25.0	32.3	27.5	..	49.9	..	..	..	..	..	..	..
Kerosene	0.3	3.0	2.6	2.6	..	3.4	..	..	..	..	..	..	..
Petrol and aviation spirit	0.3	4.2	5.1	7.1	..	11.2	..	..	..	..	..	..	..
Gunny bags	0.4‡	8.2	10.6	23.3	..	15.1	..	..	..	..	..	..	..

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a. Former British provinces and Indian States.

b. From 1948 onwards, textiles comprise cotton yarn and cotton piecegoods.

c, d, e, f. From 1953 onwards, changed respectively into cereals and preparations; textile yarn, fabrics and made up articles; mineral fuels, lubricants and related materials; and base metals and manufactures.

g. From 1950, Port of Bangkok only. In 1949 imports of cotton fabrics and manufactures, kerosene, petrol and aviation spirit, and gunny bags through Port of Bangkok accounted for 100%, 71%, 83% and 98% respectively, of total imports.

h. 1936 for Japan, 1939 for Indonesia.

i. Including vegetable and animal oils.

j. Includng cutlery and hardware.

k. Including drink.

l. 1937.

EXTERNAL TRADE

7. VALUE OF EXPORTS BY PRINCIPAL COMMODITIES AND/OR COMMODITY GROUPS

Monthly averages or calendar months

Millions

	1938[b]	1948	1950	1951	1952	1 9 5 3		1952					
						III	IV	I	II	III	Jul	Aug	Sep
BURMA (K.)													
Rice and products	18.2‡	48.7†	48.0†	60.3	82.6	76.0	100.3	24.9	120.6	..	122.8	73.4	..
Raw rubber	0.5‡	0.5†	0.7†	2.4	2.2	0.4	1.6	4.2	3.0	..	0.2	0.1	..
Teak	2.5‡	4.6†	1.0†	4.0	3.0	2.4	1.7	2.5	2.2	..	0.9	2.7	..
Metal and ores	4.8‡	1.8†	1.1†	3.5	5.0	6.4	3.8	1.4	3.9	..	1.8	1.0	..
CAMBODIA—LAOS—VIET-NAM (Pr.)													
Food	13.4	52.2	56.2	110.0	77.1	40.3	23.1	67.5	..	110.7	103.6	150.6	77.7
Rice	8.2	37.7	25.1	73.9	60.7	26.4	8.4	63.5	..	101.8	90.6	141.2	73.6
Rubber	4.2	25.8	64.5	102.7	71.8	69.2	74.5	68.5	..	106.2	76.8	141.0	100.9
Mineral products	1.2	2.6	3.7	6.1	6.8	8.2	10.8	3.8	..	21.1	14.4	40.4	8.6
CEYLON (Rs.)													
Tea	14.4	49.2	63.0	66.7	60.3	63.0	50.7	66.4	72.6	69.1	77.1	52.9	77.4
Coconut and products	2.3	12.8	21.0	26.9	19.5	18.9	17.7	18.9	17.9	21.1	21.0	20.9	21.4
Rubber	3.8	12.0	33.8	48.5	31.1	21.4	26.3	35.0	23.7	25.6	20.2	35.4	21.0
CHINA (Taiwan only) (NT$)													
Rice	..	..	8.1	11.1	18.6	28.5	26.1	29.4	—	6.4	—	11.4	7.7
Fruits, fresh, canned or preserved	..	..	1.9	6.6	9.3	9.3	7.9	6.6	8.0	6.7	6.8	6.4	6.7
Tea	..	..	2.7	7.4	7.1	9.4	7.4	6.0	9.9	9.9	12.2	8.7	8.9
Sugar	..	..	36.8	48.2	72.0	34.6	36.6	37.9	80.9	185.4	316.8	168.2	71.0
Essential oils	..	..	2.1	4.0	3.7	3.6	2.0	5.1	1.1	1.9	2.4	1.7	1.7
INDIA[a] (Rs.)													
Food and drink	30.6	58.9	88.2	119.6	109.1	123.4	120.2	111.2	73.4	123.9	110.2	110.7	150.8
Tea	19.6	46.5	58.4	78.7	66.7	79.1	81.5	73.9	40.5	97.4	82.9	87.2	122.2
Spices	0.7	4.0	17.6	24.9	19.0	17.1	14.4	21.3	14.6	8.1	7.4	5.6	11.2
Raw materials and articles mainly unmanufactured	59.5	90.3	88.5	127.7	116.4	123.7	116.9	117.8	100.3	73.9	67.8	73.2	80.7
Cotton raw and waste	19.9	18.6	14.9	21.4	20.3	33.2	17.8	21.1	21.4	9.2	11.2	7.1	9.4
Hides and skin raw or undressed	3.0	5.0	7.3	8.3	4.9	4.2	5.0	4.9	5.2	4.8	6.1	4.3	4.0
Vegetable oil other than aromatic	0.7	10.9	9.3	25.4	20.0	19.5	16.2	16.4	10.5	2.7	2.7	2.7	2.7
Articles wholly or mainly manufactured	40.2	192.3	243.8	347.6	244.6	239.3	204.1	181.7	195.2	210.0	201.9	191.5	236.8
Cotton yarns and manufactures	6.3	30.8	98.0	78.4	60.4	83.1	54.2	41.7	57.3	53.6	51.2	53.7	56.0
Jute yarns and manufactures	21.8	126.3	99.4	200.3	135.6	113.0	90.7	79.6	82.2	103.9	102.3	85.5	123.8
Hides and skins tanned or dressed and leather	4.4	9.9	19.0	27.8	14.6	13.8	19.2	25.0	21.6	17.7	16.9	16.7	19.5
INDONESIA (Rp.)													
Tea	4.7	1.8	8.5	11.6	20.9	21.7	19.8	21.3	23.8	20.4	22.0	19.5	19.6
Copra	3.2	13.1	18.2	40.7	43.2	32.2	38.7	44.7	39.3	59.9	64.2	57.9	57.7
Rubber	13.0	21.3	107.0	206.9	344.7	314.5	343.5	266.5	284.0	272.2	312.4	255.2	249.2
Tin (and tin ore)	2.8	12.3	15.4	25.7	78.0	98.8	88.2	68.4	66.8	87.5	98.5	59.6	104.3
Petroleum and products	13.5	21.7	46.4	52.8	162.1	189.4	195.9	150.3	195.9	218.0	237.4	130.1	286.5
JAPAN (US$)													
Food	7.3	0.9	4.1	5.6	8.0	9.6	9.1	9.6	10.8	..	12.5	10.4	..
Crude materials, inedible, except fuels	..	..	..	7.0	7.0	8.0	8.3	4.8	5.5	..	6.5	6.7	..
Chemicals	3.6	0.9	1.3	3.0	3.3	3.7	2.4	5.6	6.5	..	2.8	2.6	..
Textiles	42.3	13.3	33.2	44.6	30.5	24.3	23.4	22.6	28.6	..	33.0	34.5	..
Manufactures of metals	..	..	..	4.0	2.9	2.8	3.6	2.2	2.3	..	2.0	2.3	..
Base metals	7.5	1.0	13.2	20.9	25.5	18.9	20.8	15.2	13.4	..	11.3	11.7	..
Machinery and transport equipment	6.2	1.3	5.9	9.0	9.7	8.4	10.8	15.1	18.3	..	9.6	18.3	..
MALAYA (M$)													
Food	4.7	11.2	17.1	28.4	27.9	30.0	27.0	19.5	17.9	24.8	27.4	23.3	23.6
Rubber	23.2	73.2	204.5	330.1	157.6	132.4	129.8	120.8	98.9	88.8	109.3	55.8	101.5
Tin (block, ingots, bars or slabs)	8.0	17.9	39.5	48.2	43.0	49.7	40.6	42.8	34.6	26.1	31.1	30.2	23.0
PAKISTAN (Rs.)													
Raw jute	..	59.3‡	75.3‡	83.0‡	48.7	21.5	68.7	64.5	34.1	48.5	58.4	42.6	44.6
Raw cotton	..	31.6‡	43.3	80.2	72.0	42.4	60.6	75.8	52.5	42.0	51.0	53.1	22.9
Raw wool	..	2.8‡	4.7	4.9	4.1	4.9	6.1	3.8	4.5	3.9	3.9	2.4	5.5
Hides and skins	..	3.1‡	2.8	4.5	2.8	1.9	2.9	4.1	3.2	3.1	2.0	3.1	3.9
Tea	..	3.1‡	2.0	4.8	2.7	3.2	4.2	1.2	1.7	4.5	4.3	5.6	3.6
PHILIPPINES (P.)													
Abaca (unmanufactured)	1.7	5.0	6.7	11.2	6.8	5.9	5.5	7.9	6.9	5.8	6.5	6.0	5.1
Coconut products	4.9	34.6	30.9	32.8	20.2	21.1	23.9	21.9	20.5	29.4	27.6	30.4	30.1
Sugar centrifugal	7.7	3.5	8.1	11.4	15.0	6.6	11.1	18.6	19.1	14.5	22.4	13.7	7.4
THAILAND[b] (Baht)													
Rice	8.1	78.2	145.2	335.2	323.9	162.4	122.2	221.7	311.5	..	..	..	..
Tin ore and concentrates	2.6	4.4	21.6	37.6	32.7	31.5	37.8	35.4	24.3	..	27.9	6.2	..
Rubber	3.9	34.9	71.4	181.5	84.7	76.3	67.2	78.3	46.0	..	71.6	40.7	..
Teak[a]	2.2	7.1	11.7	12.8	8.2	8.0	8.1	8.0	..	..	..	..	..

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a. Former British provinces and Indian States.

b. From 1950 Port of Bangkok only for rise and teak. In 1949, exports through Port of Bangkok accounted for nearly 100% of total exports of these exports. From 1951 onwards, baht values of rice, rubber and tin are obtained through conversion of foreign currencies at free market rates of exchange.

c. 1936 for Japan.

8. QUANTITY OF EXPORTS OF SELECTED COMMODITIES

Monthly averages or calendar months *Thousand tons*

	1938	1948	1950	1951	1952	1952		1953					
						III	IV	I	II	III	Jul	Aug	Sep
RICE													
Burma	253.3	102.2	99.2	107.1	110.3	99.9	117.2	28.0	133.6	. .	88.1	*77.1*	. .
Cambodia—Laos—Viet-Nam	77.8	13.4	8.7	25.5	19.0	7.2	2.2	17.9	. .	16.1	14.2	22.0	12.1
China (Taiwan only)	. .	. .	2.3	7.1	8.8	14.1	11.3	7.8	—	1.7	—	3.0	2.0
Thailand	115.4	67.6	123.2	129.5	118.8	132.8	97.1	101.8	138.2	. .	123.2	121.2	. .
SUGAR													
China (Taiwan only)	. .	. .	50.7	23.6	38.3	17.8	19.2	31.8	56.8	130.5	239.9	108.8	42.8
Indonesia	89.3	5.3	0.2	0.5	0.1	—	0.1	—	—	1.3	0.1	1.5	2.4
Philippines	68.2	18.1	36.6	47.2	66.1	27.2	47.2	80.2	76.0	56.9	88.4	53.5	28.9
TEA													
Ceylon	8.9	11.2	11.3	11.5	11.9	12.5	10.1	11.5	13.5	13.2	15.3	11.5	12.9
India	13.4[b]	13.2	15.2	17.0	15.5	18.9	18.5	17.9	9.0	20.7	17.7	18.5	25.9
Indonesia	6.0	0.7	2.4	3.3	2.7	2.8	2.4	2.5	2.5	2.1	2.3	2.0	2.0
Japan	1.4[c]	0.3	0.6	0.7	0.8	1.4	0.7	0.6	0.8	1.3	1.1	1.2	1.7
Pakistan	. .	1.2	0.6	1.8	0.9	1.1	1.5	0.3	0.6	1.5	1.4	1.9	1.3
COPRA AND COCONUT OIL[a]													
Ceylon	8.7	9.2	7.5	10.3	11.1	12.3	9.2	9.9	7.4	8.1	8.8	8.1	7.4
Indonesia (copra)	25.8[d]	12.1[f]	14.1	23.1	17.1	12.3	14.5	12.4	10.3	18.1	19.1	18.0	17.3
Malaya	13.4	7.1	11.2	10.4	8.7	8.3	12.2	6.3	7.4	8.5	7.9	7.4	10.2
N. Borneo	0.4	0.3	1.4	0.9	0.6	0.7	0.6	0.5	0.6	0.7	0.6	0.7	0.8
Philippines	28.9[d]	35.3	41.0	45.0	40.3	45.8	39.7	27.0	25.8	48.6	43.8	50.3	51.9
PALM KERNELS AND OIL[a]													
Indonesia (palm oil)	14.2	3.3	8.2	8.1	10.1	13.0	12.9	9.8	6.7	11.1	15.2	4.9	13.2
Malaya	3.1	4.4	5.2	4.5	4.3	4.0	4.9	4.3	4.5	5.4	8.8	2.6	4.8
GROUND NUTS AND OIL[a]													
Hong Kong	1.2	0.4	1.8	0.7	0.8	0.8	1.7	1.1	0.4	0.1	0.2	0.1	0.1
India	22.0[b]	5.5	5.8	5.8	5.6	4.2	4.3	5.7	1.0	—	—	—	—
NATURAL RUBBER													
Brunei	0.1	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Burma	0.6	0.8	0.9	0.8	1.2	0.2	1.2	*0.8*	*0.3*	*0.3*	*0.4*	*0.2*	*0.1*
Cambodia—Viet-Nam	5.0	3.5	4.4	4.4	5.1	5.7	6.7	5.8	3.4	6.6	6.2	5.7	7.8
Ceylon	4.2	7.8	10.0	8.8	7.6	7.1	8.1	9.4	6.6	7.9	5.1	11.7	7.0
Indonesia	25.5	36.6	58.6	67.2	61.8	58.8	74.7	52.4	59.9	63.0	66.7	62.0	60.3
Malaya (net export)	31.4	57.5	55.7	51.5	48.4	48.6	47.3	49.9	44.6	45.9	53.8	38.9	45.0
N. Borneo	0.8	1.7	2.0	1.8	1.6	1.5	1.7	1.4	1.5	1.4	1.5	1.4	1.3
Sarawak	1.5	3.4	4.7	3.6	2.7	2.5	2.2	2.1	2.4	2.2	2.3	2.3	1.9
Thailand	3.5	8.1	9.5	9.2	8.3	8.6	8.2	10.0	6.4	8.1	10.1	5.9	8.2
COTTON, RAW													
India	38.6[b]	8.0	2.7	2.3	4.4	8.4	3.2	6.5	5.5	0.9	1.2	0.2	1.2
Pakistan	. .	13.6	17.2	18.3	20.4	12.1	21.9	33.5	23.4	19.6	22.4	23.4	13.2
COTTON YARN (metric tons)													
Hong Kong	. .	. .	2,109	1,732	1,505	1,366	1,095	974	1,478	847	893	867	780
Japan	2,084[c]	458	891	1,025	1,117	948	312	334	579	1,195	1,073	1,220	1,291
Malaya	197	22	388	167	119	205	122	88	130	92	132	47	96
COTTON PIECE GOODS (Mn metres)													
Hong Kong	. .	. .	10.8	12.2	10.1[g]	11.5	11.8	5.4	15.5	6.6	10.5	6.0	3.3
India	14.6[b]	23.5	93.7	59.1	45.7	63.4	48.7	40.0	52.0	49.4	46.4	52.0	49.7
Japan (Mn sq. metres)	200.2[c]	28.2	76.9	75.3	52.0	40.1	39.5	51.8	57.1	67.9	64.4	70.1	69.4
Malaya	2.0	7.5	14.5[g]	14.5	9.6	8.7	10.9	7.8	14.7	5.7	6.9	4.7	5.4
JUTE													
Pakistan (raw)	. .	28.1‡	92.7‡	73.8‡	73.1‡	35.1	115.1	104.9	62.4	83.7	103.6	74.2	73.2
India (bag and cloth)	78.9[e]	78.4	54.0	67.1	60.0	63.2	49.4	49.8	55.2	67.7	65.2	52.6	85.2
HEMP, RAW													
Philippines	11.8	6.2	7.9	10.3	9.1	8.9	8.1	11.6	10.8	8.7	9.1	9.1	7.7
TIN CONCENTRATES													
Burma	0.2	0.2	0.1	0.1	0.1	0.2	0.1	*0.1*	*0.1*	. .	*0.1*	. .	. .
Indonesia	1.2	2.8	2.6	2.6	2.9	3.5	3.1	2.4	2.4	*3.2*	3.6	2.2	*3.9*
Thailand	1.1	0.5	0.9	0.7	*0.8*	*0.8*	*0.8*	*0.8*	*0.8*	. .	*0.8*	. .	. .
TIN METAL													
Malaya	5.2	4.0	6.9	5.5	5.3	6.2	5.1	5.9	4.7	*5.3*	5.3	5.8	*4.8*
PETROLEUM AND PRODUCTS													
Indonesia	506	321	504	506	618	684	793	592	877	877	924	595	1,111
Malaya	84	82	165	163	204	223	229	200	215	222	279	210	177

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a. Expressed in terms of oil equivalent; figures under column for 1938 relate to averages for the period 1934—1938.

b. Former British provinces and Indian States.

c. 1936.

d. 1935—1939.

e. Converted at 2.25 lbs. per bag and 0.50 lb. per yard of cloth.

f. Excluding exports to Singapore from Indonesia.

g. Unit for cotton piecegoods changed from meters to square meters beginning 1950 for Malaya and beginning 1952 for Hong Kong.

9. INDEX NUMBERS OF QUANTUM

1948 = 100

	1938	1950	1951	1952	1952		1953					
					III	IV	I	II	III	Jul	Aug	Sep
BURMA (Oct 1947—Sep 1948 = 100)												
Imports: General	163‡	95	87	140	246	133	142	152	..	99	172	..
Food, etc.	175‡	79	87	132	104	108	75	98	..	..	..	..
Textile & clothing	164‡	328	92	198	434	140	238	236	..	..	..	..
Coal & petroleum products	254‡	153	238	221	350	300	276	179	..	..	..	..
Minerals	132‡	88	168	94	80	97	95	215	..	..	..	..
Machinery & miscellaneous	106‡	63	73	99	137	64	60	99	..	..	..	..
Exports: General	263‡	42	96	98	84	93	78	130	..	209	79	..
Food, etc.	260‡	51	106	105	110	115	84	149	..	..	..	..
Timber	172‡	18	51	33	37	22	27	32	..	..	..	..
Cotton	170‡	61	80	131	24	109	207	289	..	..	..	..
Minerals	1,781‡	197	129	192	48	33	52	25	..	..	..	..
CAMBODIA—LAOS—VIET-NAM[a]												
Imports	85	151	189 ‖	166	165	157	163	..	..	..	..	..
Exports	259	88	132 ‖	126	115	124	134	..	..	..	..	..
CEYLON												
Imports	89	121	135	138	126	149	135	159	144	145	104	182
Exports	80	110	112	117	121	101	116	117	123	129	110	130
INDIA[b] (Apr 1948—Mar 1949 = 100)												
Imports: All commodities	106‡	38	108	105	91	73	75	97	90	94	92	84
Food, drink & tobacco	..	73	146	137	115	47	72	111	77	98	89	45
Raw materials & semi-manufactures	..	123	112	124	86	98	73	117	110	111	112	107
Manufactures	..	79	92	84	84	74	78	83	87	86	85	91
Exports: All commodities	172‡	115	114	106	118	111	108	99	106	102	96	121
Food, drink & tobacco	..	109	122	117	137	130	118	79	130	114	117	158
Raw materials & semi-manufactures	..	103	114	101	105	102	110	90	62	65	58	63
Manufactures	..	122	111	104	117	106	102	109	117	113	104	133
JAPAN												
Imports	..	184	271	304	310	347	363	432	416	428	416	403
Exports	..	395	419	419	392	423	433	477	452	435	472	448
MALAYA												
Imports: All commodities	81	137	181	161	148	159	159	..	..	..	..	..
Food, drink & tobacco	109	120	156	144	130	142	142	..	..	..	..	..
Raw materials & semi-manufactures	83	147	172	118	113	127	127	..	..	..	..	..
Manufactures	66	85	199	192	176	184	184	..	..	..	..	..
Exports: All commodities	73	127	134	114	116	116	116	..	..	..	..	..
Food, drink & tobacco	162	122	172	146	141	136	136	..	..	..	..	..
Raw materials & semi-manufactures	60	115	124	97	96	99	99	..	..	..	..	..
Manufactures	95	173	161	160	180	171	171	..	..	..	..	..
PHILIPPINES												
Imports	..	77	86	79	88	65	71	86	76	92	71	65
Exports	157	146	163	180	172	156	163	174	176	205	171	151

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[a] With effect from first quarter 1952 figures relate to new series, base 1950 = 100.

[b] Overland trade excluded. The index numbers for the calendar year 1948 are 93 and 100 in the case of imports and exports respectively.

10. INDEX NUMBERS OF UNIT VALUE AND TERMS OF TRADE

1948 = 100

	1938	1950	1951	1952	1952		1953					
					III	IV	I	II	III	Jul	Aug	Sep
Unit Value												
BURMA (Oct 1947—Sep 1948=100)												
Imports: General	23‡	114	84	73	69	63	67	58	..	55	*53*	..
Food, etc.	26‡	142	127	121	121	123	115	117	..	..	..	..
Textile & clothings	18‡	97	53	40	34	29	36	25	..	..	..	..
Coal & petroleum products	30‡	91	123	143	148	144	141	137	..	..	..	..
Minerals	24‡	77	114	107	113	103	93	113	..	..	..	..
Machinery & miscellaneous	42‡	123	116	123	123	114	106	104	..	..	..	..
Exports: General	17‡	104	131	159	157	175	182	175	..	161	*201*	..
Food, etc.	15‡	108	117	155	159	173	182	177	..	..	..	..
Timber	23‡	115	153	149	164	127	150	135	..	..	..	..
Cotton	21‡	111	199	156	121	138	116	109	..	..	..	..
Minerals	54‡	199	410	238	207	195	326	267	..	..	..	..
CAMBODIA—LAOS—VIET-NAM[a]												
Imports	8	122	140	129	128	127	127	..	..	..	..	..
Exports	11	147	182	113	106	108	115	..	..	..	..	..
CEYLON												
Imports	23	98	116	125	137	128	122	122	120	120	121	120
Exports: All commodities	32	144	175	136	128	134	140	141	135	133	138	134
Tea	37	127	132	116	115	125	127	125	120	118	119	122
Rubber	56	222	367	255	223	208	226	226	217	212	235	203
All coconut products	14	144	169	105	93	106	122	131	125	127	124	123
Other export products	24	124	165	134	133	120	114	120	114	112	116	115
INDIA[b] (Apr 1948—Mar 1949=100)												
Imports: All commodities	28‡	104	128	129	127	124	119	118	110	111	110	110
Food, drink & tobacco	..	104	118	139	139	140	116	127	110	108	106	117
Raw materials & semi-manufactures	..	113	154	139	140	140	138	124	125	123	132	120
Manufactures	..	97	118	119	115	111	113	110	103	106	100	103
Exports: All commodities	24‡	110	160	131	119	116	110	112	112	110	113	112
Food, drink & tobacco	..	127	149	141	134	135	134	151	140	141	140	140
Raw materials & semi-manufactures	..	114	151	138	136	137	128	137	145	139	146	149
Manufactures	..	103	169	124	105	98	91	92	92	91	94	92
INDONESIA[c]												
Exports: All commodities	31	177	265	540	489	490	*482*	*443*	*399*	*400*	*393*	*402*
Estate produce	38	185	273	622	584	578	*577*	*524*	*483*	*486*	*477*	*487*
Peasant produce	27	171	219	487	427	432	*419*	*389*	*337*	*338*	*332*	*341*
Forest produce	12	99	148	356	333	386	*386*	*366*	*378*	*371*	*374*	*388*
JAPAN[d]												
Imports	..	77	110	98	94	91	88	83	83	82	84	84
Exports	..	80	125	117	114	110	100	105	108	108	109	107
MALAYA												
Imports: All commodities	36	115	144	129	126	126	..	..	..	..	..	..
Food, drink & tobacco	23	100	110	124	127	127	..	..	..	..	..	..
Raw materials & semi-manufactures	53	175	283	188	163	162	..	..	..	..	..	..
Manufactures	41	106	126	120	118	118	..	..	..	..	..	..
Exports: All commodities	43	173	258	188	175	169	..	..	..	..	..	..
Food, drink & tobacco	24	120	141	157	171	163	..	..	..	..	..	..
Raw materials & semi-manufactures	52	214	330	211	183	178	..	..	..	..	..	..
Manufactures	32	110	155	137	137	135	..	..	..	..	..	..
PAKISTAN[e] (Apr 1948—Mar 1949=100)												
Exports	..	89	119	88	72	67	64	60	62	61	62	62
PHILIPPINES												
Imports	..	79	100	94	89	95	102	96	83	91	76	81
Exports	25	77	84	66	61	74	78	77	76	73	77	79
Terms of Trade[f]												
BURMA	74‡	91	157	219	229	278	273	301	..	294	*381*	..
CAMBODIA—LAOS—VIET-NAM	138	117	123	87	83	85	91	..	..	..	..	..
CEYLON	141	147	151	109	93	104	115	116	112	111	114	112
INDIA	86‡	106	125	102	93	93	93	94	..	99	102	..
JAPAN	..	104	113	120	120	121	113	126	130	131	130	128
MALAYA	120	151	179	146	138	134	..	..	..	..	..	..
PHILIPPINES	..	97	84	70	68	78	77	80	..	80	101	..

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a. With effect from first quarter 1952 figures relate to new series, base 1950=100.

b. Overland trade excluded.

c. Weighted wholesale price index numbers of 18 export products at f.o.b. prices. Figures from April 1950 to February 1952 exclude the value of exchange certificates. The rise beginning February 1952 is principally due to the change in the conversion rate of the rupiah from 3.80 (excluding the value of exchange certificates) to 11.40 per dollar.

d. In terms of dollars.

e. Index of f.o.b. export prices.

f. Ratio of unit value index of exports to unit value index of imports multiplied by 100.

11. EMPLOYMENT AND WAGES

	1948	1949	1950	1951	1952	1952		1953					
						III	IV	I	II	III	Jul	Aug	Sep
CEYLON													
Index of wages (1948=100)													
Tea and rubber estate workers (minimum wages)	100	102	119	145	146	142	146	149	147	150	149	150	152
Unskilled workers in government employment	100	100	106	115	115	113	115	116	116	116	116	116	116
Index of real wages (1948=100)													
Tea and rubber estate workers (minimum wages)	100	100	112	130	132	132	131	135	131	130	130	129	130
Unskilled workers in government employment	100	100	102	106	106	107	106	108	107	104	104	102	102
INDIA													
Employment[a] (1,000)													
Factories under Factory Act	2,360	2,434	2,504	2,537	2,446[g]	..	..	..	..	..	..	..	..
Cotton mills	..	735	677	714	741	758	753	732	743	..	753	753	..
Coal mines[b]	308	318	350	339	342	337	330	354	341	328	310	326	347
Central government establishments													
Office workers	..	..	..	193	204	207	209	211	213	214	215	214	214
Manual workers	..	..	..	392	404	408	408	406	404	405	405	405	404
Wages (Rs.)													
Monthly minimum wages in cotton mills (Bombay)	..	82.01	83.56	87.28	89.26	89.42	91.58	91.90	95.63	..	98.44	98.94	..
Weekly earnings of underground coal miners and loaders (Jharia)	2.41[e]	2.30[e]	2.40[e]	12.67	13.03	13.16	13.99	13.11	13.77	..	13.52	11.42	..
JAPAN													
Employment[c] (1,000)													
All industries	34,600	36,060	35,720	36,220	37,280	37,883	38,857	37,313	39,833	39,753	40,370	39,310	39,580
Agriculture, forestry and hunting	16,370	18,080	17,410	16,170	16,370	16,930	16,967	14,313	18,233	18,207	19,220	17,980	17,420
Industries other than agriculture, forestry and hunting	18,220	17,990	18,310	20,050	20,920	20,953	21,893	23,003	21,603	21,543	21,150	21,330	22,150
Mining	600	500	490	510	610	637	553	610	623	657	640	680	650
Manufacturing	6,320	6,410	6,230	6,290	6,530	6,407	6,673	7,163	6,640	6,473	6,300	6,300	6,820
Index of earnings (1948=100)													
Mining	100	143	166	212	263	298	236	295	281	302	296	343	267
Manufacturing	100	172	208	267	315	320	360	313	333	361	404	349	331
Index of real wages (1948=100)													
Mining	100	108	135	148	175	197	157	191	180	186	184	211	164
Manufacturing	100	130	170	187	210	212	240	202	212	223	251	214	203
Daily money wages of agricultural labour, male (Y.)	185	236	201	209	230	237	244	233	258	263	278	257	253
KOREA													
Index of wages—Pusan (1936=1)													
All industries	203	396	993	5,462	14,549	16,444	18,585	20,404	22,885	24,509	23,786	24,627	25,113
MALAYA (Federation)													
Employment[d] (1,000)	461	479	462[f]	499[f]	505[f]	..	..	..	..	..	..	..	..
PHILIPPINES													
Index of employment (1949=100)													
Mining		100	120	143	150	147	150	146	142	144	144	145	143
Manufacturing		100	98	99	99	94	104	112	108	106	107	108	104
Index of wages (1948=100)													
Skilled	100	102	102	96	97	97	98	99	99	99	98	99	99
Unskilled	100	104	91	99	105	106	106	108	108	108	108	109	108
Real daily wage rates (P.)													
Skilled	2.05	2.19	2.25	1.98	2.10	2.08	2.12	2.22	2.29	2.28	2.28	2.28	2.28
Unskilled	1.28	1.41	1.27	1.29	1.43	1.43	1.44	1.53	1.57	1.57	1.57	1.57	1.56
VIET-NAM													
Daily wages—Saigon-Cholon (Pr.)													
Unskilled (male)	..	15.40§	14.40[f]	20.50§	22.80§	..	22.80§	..	25.50§	..	..	..	..
Skilled	..	22.00§	29.10[f]	36.30§	41.20§	..	41.20§	..	47.80§	..	..	..	..

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a. Figures relate to daily averages.

b. Average daily employment in all coal mines governed by the Indian Mines Act. Monthly figures are slightly short of total coverage.

c. End of month figures and their averages.

d. Comprises number employed by Government, Departments, estates, mines, factories and some miscellaneous establishments.

e. Average daily earnings in December.

f. End of June.

g. Average of first half only.

12. INDEX NUMBERS OF WHOLESALE PRICES

1948 = 100

	1949	1950	1951	1952	1952		1953					
					III	IV	I	II	III	Jul	Aug	Sep
BURMA												
All agricultural produce	123	115	133	114	114	111	101	104	..	111	..	..
Cereals	96	98	104	99	103	99	86	91	..	96	..	..
Non-food agricultural produce	161	196	205	155	156	126	125	128	..	131	..	..
CHINA (Taipei, Jan-Jun 1950 = 100)												
General index	..	111	183	225	223	221	232	240	251	248	251	254
Food	..	104	140	173	175	178	197	216	256	228	238	240
Clothing	..	124	330	392	359	372	374	359	350	349	345	358
Fuel & light	..	118	156	190	191	193	203	214	218	218	218	219
Metals & electrical materials	..	115	218	270	269	256	260	261	254	254	254	255
Building materials	..	105	154	234	227	226	230	235	275	274	279	271
INDIA												
General index	104	109	120	105	105	104	104	108	111	111	112	110
Food articles	104	110	110	96	99	95	97	102	108	109	109	107
Industrial raw materials	108	117	141	105	104	101	102	109	112	112	114	110
Semi-manufactured articles	104	108	119	109	111	110	110	113	115	115	115	115
Manufactured goods	101	102	116	111	108	110	108	108	108	108	109	107
INDONESIA (Djakarta, imported goods)												
All articles	123	253	349	331	330	326	348	355	..	..	..	..
Provisions	90	180	295	370	364	366	391	410	..	..	..	..
Textile goods	194	351	319	260	273	270	300	291	..	..	..	..
Chemicals	88	221	373	341	345	344	367	396	..	..	..	..
Metals	95	220	381	388	384	385	400	400	..	..	..	..
JAPAN												
General index	163	193	268	273	273	269	274	274	278	276	277	279
Edible farm products	178	207	258	286	294	278	302	307	310	315	307	307
Other foodstuffs & tobacco products	164	159	175	180	179	181	179	174	176	174	176	179
Textiles	215	262	364	290	296	272	274	276	285	279	285	292
Chemicals	138	180	250	269	254	256	257	255	242	248	239	240
Metal & products	143	214	426	415	407	398	394	394	389	389	388	388
Building materials	141	165	243	266	270	284	291	306	339	324	346	347
Fuels	150	170	203	258	759	267	270	261	256	253	255	259
Producers' goods	155	200	308	317	313	312	313	314	317	314	317	319
Consumers' goods	172	185	225	227	230	223	232	232	236	235	235	238
KOREA (Pusan, 1947 = 100)												
General index	..	..	2,194*	4,751	5,924	5,409	5,906	5,858	6,070	6,250	6,089	5,870
Food grains	..	..	2,064*	7,305	10,111	7,863	8,128	8,034	8,292	8,956	8,485	7,436
Textile raw materials	..	..	1,795*	2,478	2,641	2,986	3,682	3,311	3,641	3,374	3,488	4,062
Textiles	..	..	1,763*	2,052	2,070	2,280	2,656	2,433	2,858	2,563	2,751	3,259
Building materials	..	..	2,616*	3,923	3,836	4,917	6,049	7,499	7,363	7,058	7,255	7,777
Fertilizers	..	..	6,136*	7,987	8,449	8,449	8,449	8,449	8,448	8,449	8,449	8,447
PHILIPPINES (Manila, 1949 = 100)												
General index	100	97	109	100	98	101	101	98	97	97	97	97
Food	100	89	98	95	96	93	91	88	90	90	90	89
Crude materials	100	108	113	90	83	104	119	110	104	105	103	106
Mineral fuels	100	100	107	113	114	113	112	109	107	107	107	107
Chemicals	100	101	130	111	109	109	112	110	105	106	105	105
Manufactured goods	100	119	156	125	119	122	117	115	113	113	113	112
THAILAND (Bangkok)												
General index	93	95	103	109	108	111	104	103	104	102	104	104
VIET-NAM (Saigon-Cholon, 1949 = 100)												
General index	100	98	117	132	134	137	131	142	168	162	172	171
Rice & paddy	100	84	90	141	162	171	148	149	167	162	172	168
Other food products	100	101	112	127	129	130	136	149	188	173	199	193
Fuel & mineral products	100	113	117	118	119	118	116	129	161	158	158	168
Raw materials	100	141	201	152	139	144	147	159	186	180	188	190
Semi-finished products	100	95	117	125	121	126	117	128	165	163	165	167
Manufactured products	100	84	113	99	93	93	91	108	130	127	129	133

13. INDEX NUMBERS OF COST OF LIVING

1948 = 100

	1949	1950	1951	1952	1952		1953					
					III	IV	I	II	III	Jul	Aug	Sep
BURMA (Rangoon)												
All items	135	114	112	107	119	101	101	105	107	109	107	106
Food	142	120	120	115	135	106	107	112	116	119	116	114
CAMBODIA (Phnom-Penh)												
All items	138	155	163	182	186	189	..	..	..	..	..	..
Food	133	150	154	181	187	193	..	..	..	..	..	..
CEYLON (Colombo)												
All items	99	105	109	108	107	109	108	109	113	111	114	114
Food	104	112	112	110	107	115	112	115	122	119	123	123
CHINA (Taipei, Jan-Jun 1950=100)												
All items	..	106	139	179	183	180	198	207	223	221	222	226
Food	..	100	146	139	150	142	154	180	192	188	191	198
HONG KONG												
All items	112	117	128	129	132	127	125	127	135	130	135	140
Food	119	127	136	136	143	135	134	136	152	142	152	161
INDIA												
All-India (Interim index)												
All items	103	103	107	107	107	106	105	109	113	113	113	112
Bombay												
All items	101	103	109	111	111	114	116	120	123	123	124	122
Food	105	109	115	118	119	124	126	132	135	135	136	133
Delhi												
All items	100	100	108	108	109	108	103	105	109	108	109	110
Food	101	101	112	111	113	112	105	108	114	111	114	117
INDONESIA (Djakarta)												
Food	97	113	189	199	189	194	205	212	214	218	215	208
JAPAN (Urban, 1951=100)												
All items	92	86	100	105	106	105	108	110	113	112	114	114
Food	97	87	100	104	105	103	106	107	112	111	113	112
KOREA (Pusan)												
All items	123	281	1,397	3,446	4,218	3,839	4,630	4,436	5,117	5,073	5,164	5,114
Food	131	302	1,519	4,489	5,794	4,881	5,593	5,463	6,438	6,425	6,504	6,386
LAOS (Vientiane, Dec 1948=100)												
All items	106	107*	113	140	150	154	155	171	208	213	202	210
Food	103	100*	103	138	152	158	159	183	233	243	225	230
MALAYA (Federation)												
All items:												
Chinese	94	101	133	138	136	135	134	134	133	132	133	134
Indian	94	99	132	136	134	133	133	132	131	130	132	131
Malay (Jan 1949=100)	98	108	136	138	136	135	134	134	134	132	134	136
PAKISTAN (Apr 1948—Mar 1949=100)												
Karachi												
All items	98‡	95	99	101	101	104	111	112	112	111	112	113
Food	..	93	99	103	104	105	111	111	111	110	111	112
Narayanganj												
All items	103‡	98	102	110	114	115	103	106	118	113	118	124
Food	..	97	101	112	118	119	102	105	119	113	118	126
PHILIPPINES (Manila)												
All items	94	93	97	93	96	95	90	86	87	87	87	87
Food	93	86	94	90	91	90	84	80	81	81	81	81
THAILAND (Bangkok)												
All items	96	99	110	123	122	124	128	130	140	134	143	144
Food	95	97	106	119	117	120	123	125	137	129	140	141
VIET-NAM (Saigon, 1949=100)												
All items	100	102	116	142	147	151	157	166	197	193	197	202
Food	100	96	104	141	148	154	163	171	190	186	190	193

14. WHOLESALE PRICE QUOTATIONS OF SELECTED COMMODITIES

Monthly averages or calendar months

Price per ton

	Currency Unit	1948	1950	1951	1952	1952		1953					
						III	IV	I	II	III	Jul	Aug	Sep
RICE													
Burma (Rangoon)	K.	..	254	266	285	291	291	278	268	*296*	..	..	..
China (Taipei)	NT $	..	1,247	1,285	2,040	2,067	2,228	2,670	3,824	3,449	3,504	3,528	3,315
India (Calcutta)	Rs.	436	432	432	443	449	449	449	449	449	449	449	449
Indonesia (Djakarta)	Rp.	870	1,028	2,283	2,646*	2,440	..	..	2,308	2,190	2,180	2,140	2,250
Japan	000 Y.	24.9	41.0	48.2	46.1	49.2	51.3	51.3	51.3	51.3	51.3	51.3	51.3
Korea[a] (Seoul & Pusan)	000 H.	1.3*	3.1*	19.5*	70.4	100.4	74.0	76.3	77.6	83.3	89.2	85.2	75.5
Pakistan (Dacca)	Rs.	917	475	623	690	709	691	588	668	650	670	633	646
Thailand (Bangkok)	Baht	..	959	985	1,107	1,185	1,119	976	1,074	1,079	1,083	1,106	1,047
Viet-Nam (Saigon)	Pr.	2,100	2,200	2,322	3,630	4,097	4,297	3,807	3,760	4,283	4,150	4,400	4,300
WHEAT													
India (Hapur)	Rs.	566	410	412	415	412	427	475	436	437	442	450	420
Korea[a] (Seoul & Pusan)	000 H.	0.7	2.5*	13.0*	36.7	37.5	43.3	44.8	40.4	31.1	34.4	31.4	27.4
Pakistan	Rs.	320	270	289*	305	310	310	310	..	369[f]	..	..	369
SUGAR													
China (Taipei)	NT $	..	1,382	3,462	2,806	3,254	2,820	2,956	2,719	2,576	2,717	2,646	2,364
India (Kanpur)	Rs.	990	773	822	815	822	791	729	761	778	776	780	776
Indonesia (Djakarta)	Rp.	2,290	2,906	2,945	2,864	2,903	2,917	2,830	2,840	2,853	2,850	2,880	2,830
Korea[a] (Seoul & Pusan)	000 H.	4.1	10.8*	65.4*	141.4	173.0	140.0	165.3	176.4	117.6	133.3	113.2	106.3
Pakistan (Karachi)	Rs.	925	1,000	1,067	1,206	1,206	1,208	1,206	1,206	1,206	1,206	1,206	1,206
Philippines (Manila)	P.	291	269	257	253	266	259	247	252	246	249	246	245
Thailand (Bangkok)	Baht	4,608*	5,330	6,015	5,192*	5,225	4,625[c]	5,300[e]	5,435	5,752	5,608	5,880	5,768
PEPPER													
Cambodia (Phnom-Penh)	000 Pr.	34.8	137.3	147.6	115.6	114.1	115.4	115.1	129.3[d]	149.8[g]	..	149.8	..
Malaya (Singapore)	000 M$	3.2	15.2	16.1	10.3	9.8	9.4	9.3	9.4	6.6	7.7	6.0	6.1
TEA													
Ceylon (Colombo)	Rs.	3,594	4,453	4,056	3,660	3,924	3,858	4,145	3,836	3,836	3,814	3,858	3,858
China (Taipei)	NT $	..	7,431	10,193	12,438	12,809	13,333	18,518	16,667	16,667	16,667	16,667	16,667
India (Calcutta)	Rs.	3,593*	3,946*	3,814*	2,315*	2,072	1,675	2,623	3,858[d]	3,880	3,858	3,880	3,924
Indonesia (Djakarta)	Rp.	2,200	5,521	6,557	7,146	7,383	7,093	8,400	9,403	10,067	9,870	9,820	10,510
U.K.	US $	1,190	961	1,014	988	1,001	939	941	1,056	1,027	1,060	1,010	1,010
U.S.A. (New York)	US $	1,290	1,146	1,096	917	858	816	838	963	1,030	1,014	1,014	1,058
TOBACCO													
China (Taipei)	NT $	..	9,197	14,597	21,908	21,000	21,000	21,000	22,000	20,889	21,334	20,000	21,334
India (Calcutta)	Rs.	..	2,700§	5,540*	2,405*	2,528	2,484	2,258	2,293	2,953	2,774	2,976	3,110
Pakistan (Dacca)	Rs.	2,551	2,550*	4,131	2,703	1,891	2,221	2,367	2,370	3,036	2,445	3,028	3,634
Philippines (Manila)	P.	816	1,551	905	532	451	446	446	470	605	502	589	725
VEGETABLE OIL													
Ceylon (Colombo)	Rs.	1,006	1,390	1,598	963	849	1,158	1,260	1,281	1,170	1,129	1,145	1,236
China (Taipei)	NT $	..	5,354	6,416	7,779	7,741	7,611	8,907	9,142	8,111	8,315	8,278	7,741
India (Bombay)	Rs.	1,479	1,961	1,963	1,364	1,381	1,437	1,563	1,894	..	2,172	2,130	2,156
Indonesia (Djakarta)	Rp.	1,221	1,695	2,290	2,201	2,027	2,070	3,240	2,049	1,748	1,952	1,702	1,590
Malaya (Singapore)	M$	1,142	1,090	1,299	792	681	889	1,018	998	893	863	895	922
Pakistan (Chittagong)	Rs.	2,649	3,267	3,003	2,277	2,295	2,038	1,992	2,184	2,703	2,573	2,690	2,847
Philippines (Manila)	P.	980	676	700	460	400	600	740	710	600	610	580	610
COPRA													
Ceylon (Colombo)	Rs.	531	826	963	615	548	740	792	797	770	757	755	797
India (Cochin)	Rs.	986	1,486	1,561	1,086	1,103	1,169	1,208	1,202	1,193	1,191	1,186	1,202
Indonesia (Makassar)	Rp.	390	1,194	1,400	1,000	933	1,100	1,267	1,633	1,333	1,450	1,300	1,250
Malaya (Singapore)	M$	635	650	726	481	419	567	667	627	565	562	549	583
Philippines (Manila)	P.	515	360	362	246	216	328	414	352	320	318	312	332
Thailand (Bangkok)	Baht	2,730	3,292	3,795	2,879	2,708	3,070	3,470	3,418	2,810	2,623	2,799	3,009
U.S.A.	US $	308	223	229	168	147	216	265	224	209	212	207	207
COTTON, RAW													
China (Taipei)	NT $	..	9,639	28,380	36,111	32,284	36,605	36,667	35,926	33,951	34,630	33,333	33,889
India (Calcutta)	Rs.	1,828*	1,429*	1,788	1,482	1,504	1,223	1,405	1,548	1,566	1,501	1,600	1,596
Korea[a] (Seoul & Pusan)	000 H.	6.3	16.7*	34.2*	61.3	62.1	73.5	95.7	106.4	117.0	108.3	108.3	112.7
Pakistan (Karachi)	Rs.	1,879	2,218*	3,023	2,318	2,280	1,795	1,494	1,537	1,543	1,651	1,517	1,460
U.K.	US $	785	917	1,175	977	940	833	778	787	822	829	825	813
JUTE, RAW													
India (Calcutta)	Rs.	1,078	1,107	1,826	1,013	762	773	710	787	853	847	893	820
Pakistan (Narayangunj)	Rs.	958	675	1,140	612*	410[c]	414	452	526	613	584	663	593
U.K. (Daisee)	US $	386	315	485	305	220	226	233	266	274	284	278	259
U.S.A. (New York)	US $	408	342	509	325	240	244	695	637	556	588	532	548
HEMP, RAW													
Philippines (Manila)	P.	837	841	990	612	497	590	695	637	556	588	532	548

PRICES 14. WHOLESALE PRICE QUOTATIONS OF SELECTED COMMODITIES *(Cont'd)*

Monthly averages or calendar months

Price per ton

	Currency Unit	1948	1950	1951	1952	1952		1953					
						III	IV	I	II	III	Jul	Aug	Sep
COIR													
Ceylon	Rs.	148	268	332	233	175	189	189	205	193	183	190	208
India (Cochin)	Rs.	..	1,624§	1,637	955	846	826	787	795	822	805	820	..
WOOL, RAW													
India (Kalimpong)	Rs.	1,967	3,992	4,440	2,910	3,051	3,691	3,411	3,431	3,715	3,657	3,610	3,876
Pakistan (Karachi)	Rs.	3,137‡	7,125[b]	4,758*	3,475*	3,651	3,925[c]	4,391	4,345	4,573	4,450	4,565	4,705
SILK, RAW													
India (Malda)	000 Rs.	53	84	66	39	41	40	47	54	59	63	57	56
Japan (Tokyo)	000 Y.	1,556	2,579	3,761	3,788	3,969	4,033	4,027	3,933	4,033	4,033	4,033	4,033
Korea[a] (Seoul & Pusan)	000 H.	71	157*	613*	1,384	1,532	1,724	2,222	2,136	2,210	2,133	2,147	2,352
HIDES													
China (Taipei)	NT$	..	5,274	6,762	11,302	13,333	12,154	11,266	9,374	8,673	9,130	8,222	8,667
India (Calcutta)	Rs.	2,158	2,002	3,729	2,251	2,260	2,260	2,088	1,874	1,874[e]	1,874	1,874	..
Pakistan (Karachi)	Rs.	1,860	2,543	2,976	1,896*	1,732	1,732[c]	1,842	1,653	1,667	1,653	1,653	1,693
Thailand (Bangkok)	Baht	8,219	12,815	16,156	5,801	4,567	4,472	5,347	5,778	6,384	6,593	6,308	6,250
U.S.A. (Chicago)	US $	606	564	692	326	360	364	284	324	366	348	375	375
RUBBER, NATURAL													
Ceylon (Colombo)	Rs.	1,367	3,417	4,740	3,042	2,674	2,712	2,976	3,005	2,998	2,998	2,998	2,998
Indonesia (Djakarta)	Rp.	1,020[b]	5,958	9,300	6,682	6,027	6,337	5,790	5,187	4,960	4,920	4,940	5,020
Malaya (Singapore)	M$	929	2,385	3,730	2,118	1,842	1,829	1,734	1,526	1,423	1,436	1,420	1,413
Thailand (Bangkok)	Baht	6,531	12,155	19,351	10,317	8,067	7,688	7,453	6,728	6,666	6,658	6,645	6,695
Viet-Nam (Saigon)	Pr.	7,150	15,230	24,100	14,620	12,200	13,000	13,833	14,877	17,333	16,500	18,000	17,500
U.K. (London)	£	119	306	467	260	228	222	210	189	175	176	175	173
U.S.A. (New York)	US $	485	906	1,302	850	642	644	614	548	516	521	516	509
COAL													
China (Taipei)	NT $	..	137	214	361	333	333	333	333	333	333	333	333
India (Calcutta)	Rs.	16	16	15	16	16	16	16	16	16	16	16	16
Korea[a] (Seoul)	H.	36	40*	660*	959	917	1,220	1,373	1,387	1,260	1,260	1,260	1,260
Viet-Nam (Saigon)	Pr.	347	583	587	681	714	714	714	714	812	734	734	967
TIN													
Malaya (Singapore)	000 M$	4.46	6.07	8.71	7.94	7.97	7.98	7.81	6.08	*5.04*	5.07	4.95	*5.10*
Thailand (Bangkok)	Baht	29,440	31,480	52,040	44,330	41,670	47,330	47,330	42,830	36,110	38,240	35,080	35,000
U.K. (London)	£	543	733	1,060	949	944	942	942	718	*593*	589	589	*602*
U.S.A. (New York)	US $	2,188	2,107	2,829	2,675	2,675	2,674	2,677	2,142	*1,797*	1,800	1,779	*1,814*
PIG IRON													
India (Calcutta)	Rs.	111	105	116	136	141	141	141	141	141	141	141	141
Japan (Tokyo)	Y.	4,354	13,134*	27,490	29,547	29,467	28,200	26,667	26,311	25,610	25,830	25,500	25,500
Korea[a] (Seoul & Pusan)	000 H.	0.1	0.5*	2.4*	3.4	3.1	4.5	6.7	8.3	7.0	8.0	7.3	5.8
CEMENT													
China (Taipei)	NT $	..	273	319	501	407	393	432	465	586	590	608	560
India (Calcutta)	Rs.	84	81	89	..	92	89	84	82	82	82	82	82
Japan (Tokyo)	Y.	2,794	5,006	7,760	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800
Korea[a] (Seoul & Pusan)	H.	218	465*	2,720*	4,388	4,460	5,800	7,294	8,826	6,934	6,400	6,400	8,000
Pakistan (Karachi)	Rs.	..	94	94	94*	94	94[c]	94	94	94	94	94	94
Viet-Nam (Saigon)	Pr.	746	986	1,035	1,104	1,110	1,110	1,110	1,130	1,437	1,412	1,412	1,487
COTTON YARN													
China (Taipei)	NT $	..	14,327	26,777	23,148	23,148	23,148	23,702	23,997	23,924	23,873	23,854	24,045
India (Bombay)	Rs.	3,790	3,613	4,176*	4,041	3,880	3,741	3,810	3,845	3,909	3,873	3,946	3,909
Japan (Tokyo)	000 Y.	87	373	662	514	549	430	430	473	550	516	540	593
Viet-Nam (Saigon)	000 Pr.	50*	51	65	52	47	49	45	52	62	60	61	65
COTTON FABRICS													
India (Calcutta)	Rs.	4,123	3,641	4,233	4,145	4,056	4,034	4,034	4,034	4,321	4,145	4,409	4,409
Japan (Tokyo, per metre)	Y.	..	79	106	69	74	61	65	66	66	66	66	67
JUTE BAGS (per hundred)													
India (Calcutta)	Rs.	133	156	229	139	106	104	93	96	98	99	102	93
Pakistan (Karachi)	Rs.	151	196	215	156	116	121	85[c]	146	134	139	134	128
JUTE HESSIAN													
India (Calcutta)	Rs.	1,811	1,904	2,741	1,878*	1,645[c]	1,702	1,486	1,485	1,490	1,593	1,593	1,483
U.K. (Dundee)	US $	658	559	909	642	516	493	512	533	..	..	..	..
U.S.A. (New York)	US $	660	776	1,055	558	463	474	433	433	444	453	466	413

GENERAL NOTE: For details regarding specification and market centre see Revised Explanatory Notes to table 13 on page 100, Vol. III, No. 3.

a. As from the second quarter of 1951, figures relate to Pusan.

b. Dec.

c. Average of two months.

d. Apr.

e. Mar.

f. Sept.

g. Aug.

15. CURRENCY AND BANKING

	1948	1949	1950	1951	1952	1952		1953					
						III	IV	I	II	III	Jul	Aug	Sep
BURMA (Mn. K.)													
Money supply	505	601	552	607	641	646	641	849	936	868	926	902	874
Currency: net active	335	403	358	398	413	418	413	609	586	537	574	564	543
Deposit money	169	198	194	210	228	228	228	240	351	331	352	338	331
Loans, advances and bills discounted (commercial banks)	68	58	130	159	151	135	151	187	130	130	123	118	130
Bank clearings	151	128	138	151	181	198	167	231	247	242	277	210	239
Foreign assets of the Union Bank of Burma[a]	358	505	556	748	940	870	920	1,012	1,129	1,045	1,102	1,067	1,045
Rates of interest (% per annum)													
Call money rate	..	..	..	1.04	1.64	1.50	1.25	2,00	1,08	0.75	1.00	0.75	0.50
Yield of long term government bonds	..	..	3.00*	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Internal government debt[b] held by													
Union Bank of Burma	16	18	20	22	16	16	16	18	6	6	6	6	6
Commercial banks	8	19	27	31	25	34	25	31	52	71	68	72	71
Government deposits and cash in hand													
Central government deposits with the Union Bank of Burma	2	—	57	77	50	92	50	77	81	4	44	21	4
Cash in Government Treasury	15	7	5	5	3	3	3	4	4	..	4	..	..
CAMBODIA, LAOS AND VIET-NAM (1,000 Mn Pr.)													
Money supply	..	..	..	..	10.92	10.72	10.92	11.15	11.26	11.56	11.51	11.44	11.56
Currency: in circulation	..	..	..	..	7.67	7.49	7.67	8.20	8.13	8.55	8.43	8.43	8.55
Deposit money (commercial banks only)[c]	..	..	..	..	3,25	3.23	3.25	2.94	3.12	3.01	3.08	3.00	3.01
Loans and advances (commercial banks)	..	..	..	..	1.01	1.10	1.01	1.22	1.49	1.48	1.64	1.47	1.48
Foreign assets of l'Institut d'emission	..	..	..	..	0.68	0.51	0.68	0.88	0.91	0.89	0.72	0.97	0.89
Rate of interest (% per annum)													
Treasury bill rate	..	..	..	..	2	2	2	2	2	2	2	2	2
States treasury bills outstanding[d]	..	..	..	..	0.30	0.45	0.30	0.65	0.93	1.05	0.98	1.02	1.05
CEYLON (Mn Pr.)													
Money supply	607	649	911	1,006	894	910	894	899	878	824	850	815	824
Currency: net active	241	244	326	377	357	362	357	363	362	350	353	346	350
Deposit money	366	406	585	629	538	548	538	536	516	474	498	468	474
Loans, advances and bills discounted (commercial banks)	..	132	182	257	241	232	241	231	244	223	257	268	223
Bank clearings	391	422	549	691	688	700	685	673	645	723	754	699	716
Foreign assets													
Central Bank of Ceylon	460	515	565	668	401	464	401	361	294	302	324	326	302
Government[e]	380	323	342	367	376	379	376	337	314	295	296	296	296
Commercial banks	174	131	233	209	114	129	114	121	111	97	100	87	97
Rates of interest (% per annum)													
Call money rate	..	..	..	0.50*	0.50	0.50	0.50	0.50	0.50	1.33	1.00	1.50	1.50
Treasury bill rate[f]	..	..	..	0.48*	0.72	0.91	0.92	0.96	1.74	2.47	2.47	2.47	2.48
Yield of long term government bonds[g]	..	..	..	2.81	2.93	2.96	2.96	3.04	3.60	4.38	4.38	4.38	4.39
Internal government debt held by													
Central Bank of Ceylon	..	..	19	17	161	130	161	199	255	216	195	177	216
Commercial banks	184	204	271	235	302	294	302	291	284	283	286	277	283
Government deposits and cash in hand													
Government deposits with the Bank of Ceylon	..	..	12	31	6	6	6	—	—	—	—	—	—
Currency held by government	4	4	6	6	5	4	5	3	4	4	5	6	4
CHINA (Taiwan only) (Mn NT$)													
Money supply	..	304	690	790	1,129	921	1,129	1,021	1,127	1,239	1,211	1,190	1,239
Currency outstanding	..	198	288	473	705	563	705	662	724	768	723	748	768
Deposit money	..	106	402	317	424	358	424	360	403	471	488	442	471
Loans, advances and bills discounted (banks other than the Bank of Taiwan)[h]	..	43	84	138	342	354	342	497	476	520	451	511	520
Bank clearings	..	83*	138	418	862	850	1,082	1,462	2,087	1,813	1,774	2,085	1,581
Rate of interest (% per annum)													
Call money rate	..	20.99	16.42	10.80	10.80	10.80	10.80	10.80	10.80	7.20	7.20	7.20	7.20
Government deposits held by the Bank of Taiwan	..	76	349	626	776	720	776	896	930	1,130	1,018	1,074	1,130

15. CURRENCY AND BANKING *(Cont'd)*

	1948	1949	1950	1951	1952	1952		1953					
						III	IV	I	II	III	Jul	Aug	Sep
HONG KONG (Mn HK$)													
Money supply													
Currency outstanding (notes only)	783	802	808	800	802	798	802	801	801	803	801	802	803
Bank clearings	689	917	1,199	1,506	1,195	1,276	1,244	1,111	1,033	933	1,014	850	936
INDIA (1,000 Mn Rs.)													
Money supply	20.28	18.73	19.36	18.76	17.78	17.90	17.78	18.47	18.36	17.68	18.18	17.86	17.68
Currency: net active . . .	12.92	12.07	12.67	12.35	11.86	11.86	11.86	12.33	12.33	11.68	11.92	11.79	11.68
Deposit money	7.36	6.67	6.68	6.41	5.92	6.04	5.92	6.14	6.03	6.00	6.26	6.08	6.00
Advances and bills discounted[i] (scheduled banks)	4.42	4.11	4.45	5.54	4.85	4.88	4.85	5.29	5.10	4.60	4.90	4.73	4.60
Bank clearings	5.55	5.27	5.25	6.56	5.71	5.45	5.24	5.64	5.50	5.28	5.72	4.85	5.26
Gold and foreign assets of the Reserve Bank of India . . .	10.67	8.66	8.74	8.21	7.46	7.30	7.46	7.64	7.53	7.39	7.44	7.39	7.39
Rates of interest (% per annum)													
Call money	0.50	0.66	0.58	1.01	2.02	1.71	1.38	2.88	2.62	1.46	1.38	1.12	1.88
Yield of long term government bonds[j]	..	3.06	3.11	3.39	3.69	3.74	3.64	3.62	3.64	3.65	3.64	3.66	3.65
Internal government debt held by													
Reserve Bank of India[k] . .	4.38	5.06	5.40	5.77	5.53	5.53	5.53	5.49	5.44	5.08	5.16	5.13	5.08
Scheduled banks	4.26	3.40	3.57	3.06	3.23	3.08	3.23	3.03	3.14	3.34	3.16	3.27	3.34
Non-scheduled banks . . .	0.11	0.10	0.10	0.09	0.21	0.16	0.21	0.18	0.18	..	0.19	0.20	..
Government deposits held by the Reserve Bank of India . . .	2.14	1.52	1.64	2.10	1.75	1.42	1.75	1.36	1.30	1.37	1.08	1.34	1.37
INDONESIA (Mn Rp.)													
Money supply	3,008	3,596	4,392	5,132	6,719	5,787	6,719	7,276	7,204	7,467	7,218	9,270	7,467
Currency: in circulation . .	1,643	1,911	2,582	3,328	4,349	3,819	4,349	4,664	5,021	5,084	4,977	5,023	5,084
Deposit money	1,365	1,686	1,810	1,804	2,370	1,968	2,370	2,612	2,184	2,383	2,242	2,246	2,383
Loans, advances and bills discounted (all banks)[l]	266	303	682	2,152	2,445	2,386	2,445	2,287	2,540	2,487	2,540	2,593	2,389
Gold and foreign assets of the Java Bank[m]	547	559	1,349	1,939	1,790	2,370	1,790	1,690	3,232	2,529	2,835	2,647	2,529
Advances to government by the Java Bank[m]	..	1,257	2,761	1,317	4,555	3,291	4,555	5,618	3,678	4,716	3,996	4,092	4,716
Government deposits with the Java Bank	..	..	..	..	496	496	496	496	495	495	495	495	495
JAPAN (1000 Mn Y.)													
Money supply	696	809	966	1,266	1,636	1,389	1,636	1,545	1,475	1,589	1,483	1,512	1,589
Currency: in circulation . .	338	336	409	492	554	426	554	477	484	487	483	494	487
Deposit money	357	473	557	774	1,082	963	1,082	1,068	991	1,102	1,000	1,018	1,102
Loans, advances and bills discounted (all banks other than the Bank of Japan)	385	684	997	1,526	2,022	1,851	2,022	2,141	2,257	2,417	2,298	2,356	2,417
Bank clearings	236	549	808	1,232	1,624	1,661	2,096	2,093	1,913	1,944	1,901	1,910	2,022
Gold and Foreign assets													
Bank of Japan	..	..	..	..	18	18	18	18	18	18	18	18	18
Government	..	81	204	334	278	408	379	342	312	321	312	314	321
Other banks	..	..	2	1	23	10	23	36	38	44	39	37	44
Rates of interest (% per annum)													
Call money rate (Tokyo) . .	..	6.08	6.40	7.12	8.05	8.09	8.15	8.15	8.15	7.67	7.67	7.67	7.67
Yield of long term government bonds[n]	..	..	..	5.50	5.50	5.50	5.50	5.50	5.50	6.71	—	—	6.71
Internal Government debt held by													
Bank of Japan[p]	331	289	200	166	324	144	324	232	184	176	179	174	176
All other banks	80	65	37	38	39	35	39	36	36	38	36	36	38
Government deposits with the Bank of Japan	14	12	48	32	92	84	92	130	116	129	118	137	129
KOREA (South, 1000 Mn H.)													
Money supply	0.53	0.94	2.52	6.49	12.13	9.48	12.13	11.85	15.10	21.34	15.83	17.78	21.34
Currency: net active . . .	0.41	0.71	2.23	5.39	9.74	7.40	9.74	9.98	12.28	17.31	12.87	14.31	17.31
Deposit money	0.12	0.23	0.29	1.10	2.39	2.08	2.39	1.87	2.82	4.04	2.96	3.47	4.04
Loans, advances and bills discounted (all banks other than the Bank of Korea)	0.43	0.87	0.46[w]	1.93	5.78	4.43	5.78	7.19	9.96	12.28	10.58	11.35	12.28
Bank clearings	0.21	0.40	0.41	2.40	13.69	15.34	23.08	15.42	17.97	21.19	19.40	20.86	23.30
Gold and foreign assets													
Bank of Korea	..	..	1.16	2.34	4.79	3.39	4.79	9.46	6.24	6.12	6.21	6.12	6.12
Government[q]	..	..	0.58	1.79	2.64	1.19	2.64	3.32	1.28	1.08	1.54	1.22	1.08
Internal government debt held by													
Bank of Korea[p]	..	..	..	3.00	2.13	1.58	2.13	1.84	5.77	10.87	7.54	9.19	10.87
All other banks	..	..	..	0.07	0.16	0.14	0.16	0.34	0.36	0.46	0.40	0.43	0.46
Treasury deposits with the Bank of Korea	0.11	..	0.85	1.86	6.01	5.35	6.01	7.02	11.41	14.04	12.58	13.32	14.04

15. CURRENCY AND BANKING (*Cont'd*)

	1948	1949	1950	1951	1952	1952		1953					
						III	IV	I	II	III	Jul	Aug	Sep
MALAYA (Mn M$)													
Money supply	899	887	1,402	1,731	1,620	1,564	1,620	1,583	1,500	1,451	..	..	1,451
Currency notes: net active[r]	302	311	515	654	630	617	830	622	613	620	..	..	620
Deposit money	598	576	887	1,077	989	946	989	961	887	831	883	861	831
Loans and advances of commercial banks	309	386	551	633	484	467	484	489	454	473	469	474	473
Debits to current deposit accounts	..	..	..	4,167	3,396	3,365	3,257	3,204	2,902	2,850	3,125	2,693	2,731
Federation treasury bills held by banks	30	7	23	26	14	4	14	14	12	11	12	12	11
PAKISTAN (Mn Rs.)													
Money supply	2,698	2,783	2,964	3,755	3,220	3,196	3,220	3,336	3,387	3,382	3,388	3,415	3,382
Currency: in circulation	1,708	1,740	1,992	2,467	2,151	2,037	2,151	2,258	2,239	2,172	2,168	2,176	2,172
Deposit money[s]	990	1,043	973	1,288	1,069	1,159	1,067	1,078	1,149	1,210	1,220	1,239	1,210
Loans, advances and bills discounted (scheduled banks)	410	445	770	919	792	757	792	752	656	640	656	653	640
Bank clearings[t]	326*	334	460	551	543	510	512	555	491	517	590	435	527
Gold and foreign assets of the State Bank of Pakistan[u]	1,629	1,424	1,188	1,627	933	992	933	928	931	935	934	934	935
Rates of interest (% per annum)													
Call money rate	..	0.45	0.99	0.94	2.09	1.96	2.46	2.33	0.75	0.25	0.25	0.25	0.25
Yield of long-term government bonds[v]	..	..	2.96*	2.98	2.98	2.97	2.99	3.00	3.01	3.10	3.06	3.10	3.14
Internal government debt held by the State Bank of Pakistan	176	370	857	864	1,214	903	1,214	1,167	1,228	1,153	1,106	1,137	1,153
Government deposits with the State Bank of Pakistan	923	481	661	582	377	194	377	332	371	417	390	380	417
PHILIPPINES (Mn P.)													
Money supply	1,145	978	1,148	1,053	1,082	1,030	1,082	1,100	1,045	1,039	1,021	1,020	1,039
Currency: net active	571	565	669	639	624	582	624	626	592	608	592	597	608
Deposit money	574	414	479	414	465	448	465	474	452	430	429	423	430
Loans, advances and bills discounted (all banks other than the Central Bank)	511	564	533	685	694	689	694	725	727	733	736	734	733
Bank clearings	381	443	462	457	480	470	461	509	519	523	541	538	521
Debits to checking accounts	772	723	674	733	686	640	647	746	766	..	765	786	..
Gold and foreign assets													
Central Bank of the Philippines	800	461	570	492	454	476	454	477	467	486	458	476	486
Other banks	126	106	148	145	162	141	162	160	135	144	133	130	144
Internal government debt held by													
Central Bank of the Philippines	..	92	158	242	235	232	235	235	232	228	229	224	228
Other banks	13	18	41	35	56	31	56	58	58	55	56	57	55
Government deposits and cash in hand													
Deposits with Central Bank	..	2	19	153	98	157	98	137	130	92	123	118	92
Deposits with Philippine National Bank	..	32	81	46	59	61	59	51	74	89	80	91	89
Cash in Treasury vaults	..	7	4	6	7	5	7	5	4	3	5	3	3
THAILAND (Mn Baht)													
Money supply	2,881	3,107	3,967	4,907	4,932	4,856	4,932	..	5,274	..	..	..	..
Currency: net active	2,205	2,364	3,043	3,756	3,678	3,637	3,678	..	3,783	..	..	..	..
Deposit money	676	743	924	1,151	1,254	1,219	1,254	..	1,491	..	..	..	..
Loans, advances and bills discounted (commercial banks)	414	547	592	741	1,201	1,281	1,201	1,506	..	..	..	..	..
Bank clearings	774	1,112	1,544	2,057	2,270	2,005	2,397	2,561	2,328	2,326	2,342	2,268	2,368
Debits to sight deposit accounts	..	1,447§	1,973	2,786	2,923	2,899	3,153	3,365	..	..	..	..	..
Gold and foreign assets of the Bank of Thailand	2,180	2,758	3,641	4,511	4,434	4,445	4,434	4,221	4,126	4,046	4,193	4,158	4,046
Rates of interest (% per annum)													
Treasury bill rate	1.32	2.02	2.02	2.10	2.17	2.16	2.19	2.22	2.25	2.24	2.24	2.22	2.26
Internal government debt held by													
Bank of Thailand	18	142	155	166	261	161	261	251	251	220	248	242	220
Commercial banks	150	119	116	118	102	108	102	76	..	..	..	..	..
Government deposits with Bank of Thailand	392	394	317	423	396	328	396	368	540	615	630	640	615

GENERAL NOTES: All figures, other than bank clearings and rates of interest, relate to the end-of-month, end-of-quarter and end-of-year respectively: bank clearings relate to monthly totals and their averages. *Net active currency:* Total currency outstanding less holdings in all banks including the central bank and in government treasuries. *Currency in circulation:* Total currency outstanding less holdings in all banks including the central bank. *Deposit money:* Deposits in all banks (including central bank) withdrawable by cheques but excluding inter-bank liabilities and central government deposits. *Bills discounted:* Excluding treasury bills. *Bank clearings*: Total value of cheques and other collection items cleared through clearing houses. *Gold and foreign assets:* Gross holdings of gold, foreign exchange and other liquid foreign investments. *Rates of interest:* All rates are those prevailing in the capital city of each country except in India where rates in Bombay have been taken. *Call money rate:* Relates to inter-bank rate on money at call.

a. Beginning July 1952 includes foreign assets of the Burma Currency Board.
b. Treasury bills and 3 year and 5 year government bonds.
c. Includes in addition to deposits by business concerns and individuals, the deposits of Indochinese branches of the French National Treasury, and of the Autonomous Amortization Fund.
d. Treasury bills of Cambodia and Viet-Nam only.
e. Includes War Loan re-lent to U.K. Government, less the part by Central Bank.
f. Weighted average of tender rates on bills issued within the period.
g. Yield of a per cent national development loan 1965-70 calculated to earliest redemption date.
h. Includes the Land Bank, Cooperative Treasury and three commercial banks.
i. Includes bills purchased.
j. Yield of 3 per cent paper (running yield) to earliest redemption date.
k. Includes loans & advances to government.
l. The Java Bank, Bank Negara Indonesia, Bank Industri Negara and seven commercial banks.
m. Devaluation took effect on 4 Feb 1952 but foreign assets and gold holdings were not revalued until 6 Feb 1952 and 13 May 1953 respectively.
n. Weighted yield (simple rate of interest) to latest redemption date of medium dated government bonds issued during the period stated. Figure for 1951 relates to average of 4 months Sep—Dec.
p. Includes advances to government.
q. Figures shown are on a net basis.
r. Figures include British Borneo.
s. Prior to April 1952 includes inter-bank liabilities.
t. Figures relate in 1948 and 1949 to 3 clearing houses in principal towns, from Jan 1950—Jan 1952 to clearing houses in 4 towns and from Feb 1952 in 5 towns.
u. Including outstanding assets receivable from the Reserve Bank of India, under the partition agreements, but excluding foreign assets of Banking Department.
v. Yield to maturity of 3 per cent bonds 1968.
w. May.

TRADE AGREEMENTS NEGOTIATED AND, OR FINALIZED DURING THE FOURTH QUARTER OF 1953

I. ECAFE INTRA-REGIONAL TRADE AGREEMENTS

Contracting parties	Period valid	Value of trade and types of commodities	Methods of trade and payment	Remarks
Burma—Japan	8 December 1953—31 December 1957	Value of trade has not been specified. Burma will supply Japan with 300,000 long tons of Ngasein SMS quality rice at approximately $166 per long ton f.o.b. Burma port during 1954 and annually during 1955-57 200,000-300,000 tons at prices not higher than the lowest price accorded to any other buyer country such as Ceylon.	Japan will treat Burma as a soft-currency country in the issuance of licences. Information on method of payment is not available.	An "arrangement" instead of the customary "trade agreement" was signed between the two countries because Burma has not yet ratified the Peace Treaty and full diplomatic relation has not been resumed.
China—Japan	30 October 1953—31 December 1954	£30 million each way. Mainland China exports manganese, magnesite, asbestos, iron ore, coal, salt, phosphate, lime, soya bean, cotton, wool, tung oil, pig bristles, oil cake, resin, etc. in exchange for Japanese goods comprising aluminium ingots, spinning machinery, cranes, radio equipment, trucks, bicycles, electrical appliances, copper, steel tubing, steel materials, ocean-going ships, refrigerating ships, motor car parts, medical supplies, chemicals, cotton piece goods and yarn.	Information is not available.	Signed in mid-November 1953. This is not an inter-governmental agreement but negotiated by trade organizations in the two countries and it is based on the previous agreement entered in 1952. (See *Bulletin*, Vol. IV, No. 1, First Quarter, 1953.)
China—Indonesia	Not available	A total of 91 different classes of goods including rubber, tin, petroleum and other products were on the list carried by the Indonesian Mission to indicate the range of goods available for export to mainland China. It is not known what items Indonesia will buy from mainland China.	Information is not available.	Signed on 30 November 1953.

II. ECAFE COUNTRIES—EXTRA-REGIONAL COUNTRIES[a]

China—France	Negotiation at final stage	$2 million each direction. The Republic of China will supply mainly tea, sugar and camphor in exchange for non-strategic materials and industrial goods.	Barter.	Negotiation stage. General principles agreed. Some minor technicalities remained to be solved.
India—Czechoslovakia	17 November 1953—31 December 1954	Value of goods exchanged has not been fixed. India exports tea, spices, tobacco, preserved fruits, iron ore, manganese ore, ilmenite, linseed oil, hydrogenated oil, groundnut oil, essential oils, shellac, raw goat and sheep skins, raw wool, animal hair, crushed bones, myrobalan and myrobalan extracts, handicrafts, and exposed films. Czechoslovakia exports marine-type diesel engines, machinery for shoe-making, tannery and rubber manufactures, woodworking machinery, welding machine, hydraulic presses for workshops, diesel generating sets, lithophone, machine tools, agricultural tractors and implements, textile machines, graphic machinery, road-building machinery including rollers, building machinery, stone grinding machinery, narrow-guage diesel locomotives, foundry machinery, machines for chemical industry, diesel pumps, laboratory and technical glassware, dyestuffs, saccharine, ammonium hydrochloride, potassium permaganate, component parts of wireless receiver and apparatus, photographic and motion picture cameras and appliances, microscopes, motor vehicles, laundry machines, refrigerators, motor car equipment, domestic hardware, paper, fibre boards, hardboards, textile accessories, asbestos, cement goods, abrasive materials, ship chains, plastics and artificial leather, and exposed films.	India will treat Czechoslovakia as a country within the soft-currency area for the issuance of import or export licences. Czechoslovakia will treat India on the same basis as any other country with which it has entered into a bilateral trade agreement.	The agreement is to become effective immediately upon signing on 17 November 1953.
India—Federal Republic of Germany	1 November 1953—31 January 1954	India exports jute manufactures, woollen carpets and handicraft products besides iron and manganese ores, mica, magnesite, raw wool, coir yarn, bristles and hairs, hides and skins, leather and canvas footwear, myrobalan, oilseeds and oils for technical purpose, stick lac and kirt lac, crude drugs, raw opium, tobacco and coffee in exchange for German capital goods, pharmaceutical and industrial chemicals.	India will continue to treat Federal Republic of Germany as a country within the soft-currency area in the issuance of export or import licences. (See *Bulletin*, Vol. II No. 1, First Quarter 1951.)	An extension of the 1951 agreement was due to expire at the end of October 1953, pending negotiation of a new agreement.

TRADE AGREEMENTS NEGOTIATED AND/OR FINALIZED DURING THE FOURTH QUARTER OF 1953

II. ECAFE COUNTRIES—EXTRA-REGIONAL COUNTRIES[a]—(Continued)

Contracting parties	Period valid	Value of trade and types of commodities	Methods of trade and payment	Remarks
India—USSR	2 December 1953— 1 December 1958	Value of goods exchanged has not been fixed. India exports jute, tea, coffee, tobacco, shellac, black pepper and spices, wool, hides and skins, and vegetable oils to USSR in exchange for wheat, barley, crude petroleum and petroleum products, fibre, paper, iron and steel manufactures, chemicals, dyestuffs, medicants, optical goods, cinematograph films, industrial and electrical equipment and agricultural machinery.	Issuance of licences. All payments will be made in rupees and the Government of the Soviet Union will maintain accounts in the authorized exchange banks in India and the Reserve Bank of India for this purpose. Any balances in rupees maintained by the State Bank of the USSR with the Reserve Bank of India, or with authorized commercial banks will be convertible on demand into pound sterling at the rate which may be fixed from time to time by the Indian Exchange Banks' Association.	Signed and became immediately effective on 2 December 1953. Prior to its expiration the agreement may be extended or renewed by negotiation and mutual consent upon a three months' notice. The Government of the Soviet Union is prepared to render such technical assistance as may be necessary in the installation and operation of equipment to be supplied by the USSR under the agreement.
Indonesia—Australia	1 November 1953— 30 October 1954	Value and types of goods exchanged were not fixed. Under the 1952/53 agreement, petroleum products, followed by tea, kapok, rubber and timber, were the main exports from Indonesia, in exchange for flour from Australia. Under the new agreement Indonesia will import, in addition to flour and other foodstuffs, heavy railway equipment, agricultural machinery and tele-communication equipment from Australia.	Issuance of licences.	Signed on 28 October 1953, being the third agreement entered between the two countries since the end of the World War II.
Indonesia—Sweden	1 June 1953— 31 March 1954	Indonesia will export Sw. Cr. 82.9 million worth of rubber, copra, tin, tobacco, coffee, pepper, sisal, tea, kapok, rattan, bauxite, etc. and import Sw. Cr. 47.05 million worth of machinery, electrical equipment, transport equipment, chemical products, matches, cement, etc.	Issuance of licences. Method of payment is not known. Under the 1950 agreement payment was made in accordance with the provisions of the Sweden-Netherlands agreement signed at Stockholm on 20 February 1950 at which time Indonesia participated in the negotiation.	Signed on 22 October 1953. The negotiation took nearly five months. (See *Bulletin*, Vol. I, No. 2, Second Quarter 1950; Vol. II, No. 1, First Quarter 1951 and Vol. IV, No. 2, First half 1953.)

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[a] The Burma-Yugoslavia trade agreement was signed on 29 June 1953 and not on 29 July 1953 as given in the *Bulletin*, Vol. IV. No. 3, for Third Quarter 1953.

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